

## **APPENDICES**

**APPENDIX A  
AGENCY RESPONSES:**

**OFFICE OF POLICY AND MANAGEMENT**

**AND**

**DEPARTMENT OF REVENUE SERVICES**



**STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT**

February 16, 2006

Carrie E. Vibert  
Director  
Legislative Program Review and Investigations Committee  
State Capitol Room 506  
Hartford, CT 06106

Dear Ms. Vibert:

As requested in your letter of February 7, I am submitting my comments on the draft copy of the Legislative Program Review and Investigations Committee's final report on Connecticut's Tax System, adopted by the committee on January 19, 2006. I will first address some more general issues, then move on to some specific recommendations in the report. I have attempted to make my comments, which follow, clear and concise:

1. While we recognize that policy options are just that, options, and not recommendations, we were struck by the diverse collection of options presented. This is a useful approach if these policy options are meant to generate discussion and to truly consider alternative courses of action. Before many of these courses of action could be considered much further, considerably more study would need to take place.
2. We support strong measures to contain the growth in government spending in the state, including the state spending cap and a comprehensive review of state mandates on municipalities.
3. We support the continued growth and maintenance of a strong budget reserve fund. The importance of such a fund was obvious with the last economic downturn. Deposits of surplus funds into the "Rainy Day Fund" will help when the next inevitable downturn occurs.
4. We are opposed to any mandated limit on the allowable growth in revenues or expenditures of municipalities. As the report indicates, local property tax growth, which accounts for the vast majority of their revenues, "is relatively slow but steady and adds stability to Connecticut's overall revenue structure." We would prefer to assist municipalities in controlling spending growth by eliminating unfunded mandates.
5. Efforts are necessary to address the volatility of the state personal income tax, particularly with regard to the very volatile incomes of taxpayers in the higher income brackets, which should be replaced with more stable revenue streams.
6. We would support performing a study to determine the best use of annual budget surplus funds once the budget reserve fund has been funded to the required level.
7. As proposed in the Governor's budget, we support the phase-out of the existing unified gift and estate tax, with the total elimination of the tax by no later than 2010.

450 Capitol Avenue · Hartford, Connecticut 06106-1308  
[www.opm.state.ct.us](http://www.opm.state.ct.us)

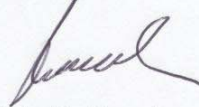
8. We agree that the state's personal property tax is also in need of attention, which is why the Governor has also proposed elimination of the property tax on privately-owned vehicles. As with most proposals, it is always possible to identify "winners" and "losers" when such a change is made. Elimination, however, of a very regressive tax, even with "winners" and "losers", will make the overall tax structure of the state more equitable.
9. As discussed in the report, the greatest state cost increases have been and will continue to be in health care and related services. This is particularly significant as it relates to Medicaid, benefits for state employees and retirees, and the general aging of the population. As we begin to see the elderly population increase as a percentage of the total population, they will need and demand more health care. They will also earn reduced incomes and spend less on food, clothes, furniture, and most other items than when they were younger. As a result, they will also pay less in income taxes and sales taxes. The structure of our future tax system will eventually need to address this development.
10. We need to take steps to reduce our reliance on debt in Connecticut. A measure which compares our per-capita debt to other states is not appropriate unless adjusted for income differences between states, given our high income. However, we do need to reduce our debt as a percentage of income and debt service as a percentage of our total budget.
11. The first recommendation in the report addresses a need for the Connecticut Advisory Commission on Intergovernmental Relations (ACIR) to review and report on unfunded state mandates affecting municipalities. On November 27, 2005, Governor Rell announced that she was forming a commission to review unfunded and partially-funded state mandates on municipalities and determine if such mandates serve an actual need or if they can be curtailed or eliminated. The nineteen-member Governor's Commission on Unfunded Mandates held its first meeting on February 15, 2006, and will review those mandates that previously have not been studied by the Legislative Program Review and Investigations Committee or similar bodies. The Commission will issue its report before the start of the 2007 legislative session.
12. Recommendation #7 in the report calls for the Department of Revenue Services (DRS) to publish local property tax collections each year with a five-year history in its annual report. We do not believe this would be an appropriate role for DRS because the agency plays no role in the assessment, collection or reporting processes, and this additional activity would be burdensome and redundant. We, within OPM, have an Intergovernmental Policy Division (IGP) which works closely with municipalities and related entities. The IGP publishes annually, on our website, along with a host of other useful data, a five-year history of property tax collections for each of the state's 169 towns. This data may be accessed by anyone by going to the OPM website, [www.opm.state.ct.us](http://www.opm.state.ct.us), and clicking on "Publications/Reports" and then clicking on "Municipal Fiscal Indicators".
13. Recommendation #8 in the report calls for OPM to annually publish certain trends in local property values and taxes. In general, this recommendation, while it would provide interesting information, would require significant mandates on municipalities and require additional state resources, and we do not believe the gain is worth the additional cost. With regard to reporting data such as statewide median single-family home tax bills, while it may sound simple, could be a monumental task. Such data is currently not available, and OPM does not have sufficient staff for such an activity. Also, providing such data in the required format in addition to existing requirements would be a burdensome mandate



on the towns. Data on town-by-town use of local option property tax exemptions also does not exist and would require significant work on the part of towns and OPM. There are dozens of such options applied in a non-uniform manner, because they are local options, and they would be difficult to present in an understandable and useful format. Measures of the accuracy and uniformity of local revaluations do exist. They are submitted to OPM as certified by each assessor and are available to the public. Publication of all of these locally-certified measures, however, could be misconstrued as certification by the state. It should be noted that the state lacks the expertise and the data to provide such a certification.

I hope my comments have been helpful. Please do not hesitate to call me if you have any questions. Thank you for this opportunity.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Genuario", with a stylized flourish at the end.

Robert L. Genuario  
Secretary



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES  
PAM LAW, COMMISSIONER

February 15, 2006

Senator Catherine W. Cook  
Representative J. Brendan Sharkey  
Co-Chairs of Legislative Program Review  
And Investigations Committee  
Room 506, State Capitol  
Hartford, Connecticut 06106

Dear Senator Cook and Representative Sharkey:

Attached please find the Department of Revenue Services responses to the individual recommendations concerning the DRS made by the Program Review and Investigation Committee. These responses should be considered in light of the following:

1. The DRS has undergone changes since fiscal 2003, being significantly impacted by both the layoffs and the early retirement program. As with most state agencies, it was up to management to prioritize the multitude of tasks the agency was responsible for. By statute, the DRS is required to collect and deposit the taxes imposed on the citizens and businesses of Connecticut. Resources that remained in the agency were directed to fulfilling that requirement.
2. The original bid for the full implementation of ITAS was \$75.5 million. A total of \$67.5 million has been allocated for the project. That means there has been a reduction of \$8.0 million. As with any project, the agency has had to make hard choices about what to fund. The obvious choice was to use the available funding for functionality and customer service improvements rather than using the limited resources to generate all the reports that were available under the old system. To imply that the agency did not sufficiently plan for the conversion process because not all reports were going to continue to be available is not correct.
3. The report indicates that the Department takes the confidentiality of tax records to the extreme. According to the report, CGS 12-15, states that return information does not include "...data in a form which cannot be associated with or otherwise identify, directly or indirectly, a particular taxpayer." CGS 12-15 is substantially identical to the federal statutes. As was explained to PRI staff, in Church of Scientology of California v. IRS, the United State Supreme Court ruled that information remaining on returns after redacting certain identifying information therefrom, nonetheless, remains return information and, as such, is not subject to disclosure.

TWENTY-FIVE SIGOURNEY STREET

HARTFORD, CT 06106-5032

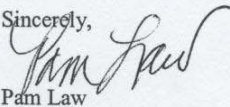
[www.ct.gov/drs](http://www.ct.gov/drs)

Senator Catherine W. Cook  
Representative J. Brendan Sharkey  
February 15, 2006  
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4. During the initial meeting with PRI staff, I explained to them that the timing of the study would place additional burdens on an already over-extended staff. Despite working to implement ITAS, working with the legislature during the legislative session, implementing all of the legislative tax changes as well as the carrying out of the day to day operations of the agency, staff were available for interviews with PRI staff and all information that was requested was provided except where there were disclosure issues or data was not available.
5. Finally, I take exception to the statement that the "objectivity of the research process was impaired by the DRS commissioner's requirement that her representative be present at all DRS interviews." I was asked by PRI to appoint a liaison for the project which I did. As the liaison, that individual was responsible for making sure that all information that was requested by PRI was furnished. That liaison was not the supervisor of any individual that was interviewed.

If you have any questions on the attached information, please do not hesitate to contact me.

Sincerely,

  
Pam Law  
Commissioner

Attachment  
xc: Carrie Vibert



DEPARTMENT OF REVENUE SERVICES



**Recommendation #2:**

*Once ITAS is fully in place, DRS should make estimating and reporting of tax gap information a priority of future agency research. A more precise picture of the extent and areas of non-compliance should assist DRS in developing an overall strategy to promote compliance and deter tax avoidance.*

Estimating a tax gap would result in a rough estimate at best. This report's authors recognize this with the following statement found on page 119. "However, estimating tax gap, which is the difference between total tax liability and the amount of taxes paid voluntarily, is such a complicated process that few states including Connecticut regularly compute it." The problem is that there is no proven methodology for a state to come up with the "total tax liability" of that state. Even if the DRS had the resources to come up with a number that would represent the estimated tax gap, the number would be too broad and based on too many assumptions to assist with developing an overall strategy to promote compliance and deter tax avoidance.

**Recommendation #3:**

*DRS should conduct a cost benefit analysis of each major tax compliance initiative, including amnesty programs, and report the results to the appropriations committee.*

A true cost benefit analysis would be difficult because it would require combining CORE-CT information for benefits/wages with ITAS information. When all ITAS Phases are implemented, our reporting function will provide Compliance Dollars per FTE.

**Recommendation #4:**

*DRS should publicly report the results of tax compliance efforts on its website. Such efforts assure the taxpaying public that non-payers are being detected and promote overall compliance.*

While public releases may increase compliance with the tax laws, DRS is bound by Connecticut General Statutes § 12-15(h)(2) and is prohibited from disclosing tax return information, which includes "disclosure of standards used or to be used for the selection of returns for examination".

**Recommendation #5:**

*The Department of Revenue Services shall study the impact of amending the statutes to require that any person or entity doing business with the state must be in compliance with state tax laws. The study should assess the methods that might be employed by DRS to provide verification of tax compliance to state agencies before issuing a contract or grant, as well as any anticipated legal issues that might arise including definitions of compliance and confidentiality, any anticipated delays in awarding contracts, and an estimate of resources necessary for implementation.*

As indicated to the Legislative Program Review staff, the Department of Revenue Services has long advocated the adoption of legislation which would require that any person or entity doing business with the state be in compliance with state tax laws. To the chagrin of central procurement officials, the Department of Revenue Services instituted this requirement into all of its bid requirements beginning in the early 1990's.



The agency was told at that time that the requirement was unenforceable if challenged by a vendor. To date, it never has been.

Recent discussions with current central procurement officials indicate that while there are issues to be worked out, they would support the tax compliance language. Their concerns center upon the ability of DRS to issue compliance certificates in a timely manner and the process that will be followed when a bidding vendor disputes a nonfavorable compliance determination.

**Recommendation # 6:**

*DRS should take immediate steps to formally establish an agenda for its research office. It should begin this task by identifying, assessing, and prioritizing both currently required reports and projects and internal and external requests for new or expanded research products. Based on this assessment, DRS should also determine the types and sources of data required and how ITAS will be used to support these research efforts.*

The DRS research office does have an agenda. Conn. Gen Stat. Section 12-7b subsections (a), (b) and (d) provide for the compilation of the Department's annual report and other specific tax information. In addition, subsection (c) requires the Department to report on any legislative change which results in either a 10% change in revenue or \$10M, whichever is less. The research office also is responsible for attaining passage of the Department's legislative package, tracking all initiatives which affect the Department, assisting in determining the fiscal impacts of proposed changes, compiling and publishing the monthly revenue collections, as well as providing various statistical reports for other state agencies to comply with federal reporting requirements.

**Recommendation #7:**

*Amend the statutes to require the Department of Revenue Services to include information on total local property tax collections each year for the most current five-year period available in its annual statistical report.*

The Office of Policy and Management (OPM) is responsible for the statewide coordination of the local property tax with Connecticut's 169 municipalities. Their "Municipal Fiscal Indicators" Report is available on their website. The report includes five years worth of data available by municipality. The report can be accessed at [www.ct.gov/opm](http://www.ct.gov/opm) by clicking on "Databases/Resources," then "municipal data," then "municipal fiscal indicators."

**Recommendation #9:**

*DRS should formally establish an internal working group to: i) identify agency-wide management information needed from ITAS; and ii) coordinate and oversee development the system's ability to track and report performance measures. The group should ensure ITAS will collect and produce data that allow monitoring of key activity trends and outcomes and consider including a capacity to track selected benchmarks developed by the Federation of Tax Administrators.*

In 2003, the DRS identified five key Agency-wide measures that it wanted to track in ITAS. These measures were identified in conjunction with the Federation of Tax

Administrators' benchmarks project. These measures have been manually tracked for the past 3 years and are currently reviewed by DRS' senior management. Part of the current ITAS requirements includes developing reports that capture results for these key measures to assist the Agency in determining how well it is fulfilling its core mission.

**Recommendation #10:**

***DRS should assign agency resources to develop and maintain a current strategic plan for accomplishing its mission and goals.***

It is unfortunate that the wording of this recommendation could lead some readers to believe that DRS did not have a strategic business plan. As was previously conveyed, the Department of Revenue Services has always placed great importance in the business planning process. During the mid 90's the department formalized this process and in 1998 established a work unit to oversee its business planning function. As a result, we believe that DRS was recognized as a leading agency in this area.

During 2003, the combination of statewide layoffs and the *Early Retirement Program (ERT)* resulted in the agency losing in excess of 25 percent of its staffing. During this same period, the agency was embarking on its most ambitious project to date, the replacement of the agency's 30 year old operating system with a single integrated tax administration system (ITAS). The combination of these events has forced the agency to focus its available resources on meeting its core operating requirements.

While it is true that the agency's business plan has not been formally updated over the past few years, the direction, operating philosophy, and strategy contained in it remain both relevant and appropriate. Individuals familiar with the ITAS Project will see that once implemented the new operating system will support the vision contained in the existing plan.

As was indicated to the Legislative Program Review staff members, DRS fully expects to resume its business planning function at the appropriate level once resources again become available. Rather than simply updating the plan document with new target dates as many organizations do, the agency will amend it to reflect the full capabilities that its new state of the art operating system offers.

**Recommendation #11:**

***The statutes should be amended to lower the current interest rate, or at least the rate charged on cases under appeal, to the same rate the IRS uses, which is the federal short term interest rate plus 3 percent. DRS should update the rate quarterly based on changes in the IRS rate.***

For most tax types, the current interest rate is 1% per month or 12% per year. While this rate is high in comparison to what financial institutions charge on mortgage loans, it is significantly less than what many credit card companies charge. The taxpayer, for Connecticut taxes, can always opt to make an advanced payment on any audit assessment at any time during the auditing process. This advanced payment can be made at the beginning of the auditing process by the taxpayer to minimize the additional interest charged on an audit assessment. When an initial assessment is determined, the interest



charged is backed out to the date when the DRS received the advanced payment. Any leftover amount is refunded to the taxpayer. In addition, once an audit has progressed to the point of an initial proposed assessment, the taxpayer can apply a payment evenly to the part of the assessment that he/she agrees that they owe. As they progress in the appeal process, they would then pay additional interest only on that part of the assessment that they lose in appeal.

The design of the Integrated Tax Administration System was based on existing statutes, including sections dictating interest rates. A major change to the new architecture would be required if interest rates were subject to change every quarter. Such a change would either require additional funding for outside consultants, or it would require the DRS to reallocate its limited IT resources for this development effort, as well as budget for ongoing maintenance. The DRS would also be obligated to revise publications, notices and website information as rates change. This recommendation would require a significant commitment of resources at a time when the DRS is doing its best to perform its core functions while implementing mission critical system requirements.

Finally, one of DRS' key business drivers and a key part of this report is to promote taxpayer compliance with Connecticut tax statutes and regulations. Reducing the interest rate that non-compliant taxpayers pay on the additional unreported tax that they are deemed ultimately to owe would not be consistent to promoting taxpayer compliance.

**Recommendation #12:**

***The homepage of the DRS website should prominently display a link to the agency's description of the Connecticut's "Taxpayer Bill of Rights."***

The Department has moved the information concerning "Your Rights as a Connecticut Taxpayer" to the home page of its website: [www.ct.gov/drs](http://www.ct.gov/drs). A quick-reference link is now available.



## Appendix B



### LEGISLATIVE PROGRAM REVIEW & INVESTIGATIONS COMMITTEE

## State and Local Tax Policy Forum: *Principles and Practical Experiences*

Wednesday, October 26, 2005  
Legislative Office Building, Room 2C  
1:00 pm to 5:00 pm

- 1:00pm**      **Welcome and Introduction:**  
*Representative Brendan Sharkey and Senator Cathy Cook,*  
Program Review Committee Co-Chairs
- 1:15pm**      **Tax System Principles and Evaluation Criteria:**  
*Ronald Snell, Director*  
NCSL Economic, Fiscal & Human Resources Division
- 1:30pm**      **Overview of National Trends in State and Local Tax Systems and  
Future Considerations for State Tax Policies:**  
*Michael Bell, Research Professor*  
Center for State and Local Fiscal Policy Research,  
The George Washington University
- 1:50pm**      **State Experiences: Case Studies**  
**California** – *Kim Rueben*  
*Adjunct Fellow, Public Policy Institute of California and*  
*Senior Research Associate, Urban-Brookings Tax Policy Center*  
**Massachusetts and New Hampshire** – *Daphne Kenyon*  
*Public Finance Consultant and Lincoln Institute Visiting Fellow*  
**New Jersey** – *Ranjana Madhusudhan*  
*Senior Research Economist, New Jersey Department of Treasury*  
**Michigan and Ohio** – *Robert Cline*  
*National Director, State and Local Tax Policy Economics, Ernst & Young*  
**Maine** – *Darcy Rollins*  
*Policy Analyst, New England Public Policy Center,*  
*Federal Reserve Bank of Boston*
- 3:30pm**      **State and Local Tax Policy Questions & Answers:**  
*Moderated by Ronald Snell*
- 5:00pm**      **Closing Remarks:**  
*Committee Co-Chairs Representative Sharkey and Senator Cook*

Please Note: Materials from the PRI Tax Forum including panelist handouts are available on the  
program review staff office website:

[http://www.cga.ct.gov/2005/pridata/Studies/pdf/Tax\\_Panel\\_Forum.PDF](http://www.cga.ct.gov/2005/pridata/Studies/pdf/Tax_Panel_Forum.PDF)

Thanks to Central Connecticut State University Institute for Municipal and Regional Policy and the Governor  
William A. O'Neill Endowed Chair for serving as ongoing resources.

**Appendix C**  
***Sales & Use Taxable and Tax-Exempt Items***

TAXABLE	TAX-EXEMPT
Consumer Goods	
<ul style="list-style-type: none"> <li>▪ Food for take-out or restaurant consumption</li> <li>▪ Miscellaneous retail: movies, electronics, appliances</li> <li>▪ Automotive products</li> <li>▪ Household products: paper products, soap, shampoo, detergent</li> <li>▪ Apparel &amp; accessories over \$50</li> <li>▪ Home furniture/furnishings</li> <li>▪ Construction and hardware</li> <li>▪ Lodging</li> <li>▪ Magazines sold over-the-counter</li> </ul>	<ul style="list-style-type: none"> <li>▪ Groceries</li> <li>▪ Vending machine sales under \$0.50</li> <li>▪ Blood &amp; life support equipment</li> <li>▪ Prescription drugs, syringes and needles, disposable pads used for incontinency, and smoking cessation products</li> <li>▪ Non-prescription drugs and medicines</li> <li>▪ U.S. and CT flags</li> <li>▪ Newspapers and magazine subscriptions</li> <li>▪ Utilities for residential use and certain manufacturing or agricultural production</li> <li>▪ Apparel under \$50</li> <li>▪ Bicycle helmets and child car seats</li> <li>▪ College textbooks</li> <li>▪ Hybrid cars (prior to 10/1/08)</li> <li>▪ Items purchased with federal food stamps</li> </ul>
Business Purchases	
<ul style="list-style-type: none"> <li>▪ Furniture</li> <li>▪ Computers, computer software and equipment</li> <li>▪ Office supplies</li> <li>▪ Natural gas, electricity, and oil for non-residential use.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Livestock and feed</li> <li>▪ Machinery used in agricultural production</li> <li>▪ Machinery and equipment used in manufacturing production</li> <li>▪ Commercial fishing</li> <li>▪ Commercial printing</li> <li>▪ Material used in industrial waste treatment</li> <li>▪ Certain containers</li> <li>▪ Ambulances and commercial trucks, truck tractors and semitrailers</li> <li>▪ Aviation fuel, aircraft replacement parts, materials etc. used in an aircraft manufacturing facility</li> <li>▪ Sales to units of government</li> <li>▪ Sales to UConn Ed. Properties, Inc.</li> <li>▪ Interstate commerce including mail order and Internet purchases</li> </ul>

TAXABLE	TAX-EXEMPT
Services (Personal & Business)	
<ul style="list-style-type: none"> <li>▪ Labor: motor vehicle repair, maintenance, locksmith, extermination, painting and lettering, photographic studio services, telephone answering services, pool cleaning and landscaping</li> <li>▪ Professional: computer and data processing (including internet access), management consulting, business analysis, health and athletic club, credit information and reporting, employment agency services, lobbying, and private investigation</li> <li>▪ Lease or rental (non-residential), storage or mooring of a noncommercial vessel from Nov.1<sup>st</sup> – Apr.30<sup>th</sup></li> <li>▪ Cable/satellite television and telephone services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drug testing services</li> <li>▪ Barber and beauty services</li> <li>▪ Laundry, dry-cleaning and shoe repair</li> <li>▪ Up to \$2,500 of the cost of services for a funeral</li> <li>▪ Services related to human health</li> <li>▪ Utility services</li> <li>▪ Leasing and renting of movies by theaters</li> <li>▪ Aircraft repair services</li> <li>▪ Property tax on leased motor vehicles</li> <li>▪ Sales of services between parent companies and wholly owned subsidiaries</li> <li>▪ Personnel services (e.g. marketing, development, testing or research services, business services in joint ventures)</li> <li>▪ Computer and data processing</li> <li>▪ Massage therapist and electrology services</li> <li>▪ Marine vessel brokerage services (effective 10/1/05)</li> </ul>
USE TAX EXEMPTIONS	
<ul style="list-style-type: none"> <li>▪ Property subject to sales tax</li> <li>▪ Property purchased from the U.S. government</li> <li>▪ Purchases brought into the state by nonresidents</li> <li>▪ Property donated to the government or to tax exempt organizations</li> <li>▪ Vessels brought into the state exclusively for storage, maintenance or repair</li> <li>▪ Capital resources provided to institutions of higher education for electronic commerce studies or work force development programs</li> </ul>	
Source: C.G.S. Chapter 219 § 12-406 through § 12-432b	



**Appendix D**  
**Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**  
**Tax Profile: Alcoholic Beverage Tax**

**Statutory Citation:**

Chapter 220

**Description:**

Connecticut, like 31 other states and the District of Columbia, licenses private wholesale and retail sellers of alcoholic beverages (liquor, wine, and beer) and imposes an excise tax on distributors of alcoholic beverages on their sales of such beverages within the state.<sup>1</sup> Alcoholic beverage tax rates vary depending on the type of beverage and in proportion to alcoholic content, with the highest rates applied to beverages with the highest alcoholic content. Alcoholic beverage sales at the retail level are also subject to the state sales and use tax.

**Calculation Method:**

Current alcoholic beverage tax rates, along with the most recent data on sales volumes available from the Department of Revenue Services, are summarized below:

<b><u>Beverage</u></b>	<b><u>Rate</u></b>	<b><u>Gallage FY 03</u></b>
Beer	\$6.00/barrel (31 gallons);	196,271
	\$0.20/gallon	52,456,337
Still Wines	\$0.60/gallon	10,719,527
Small Wineries	\$0.15/gallon	74,381
Sparkling Wines	\$1.50/gallon	390,493
Liquor Coolers	\$2.05/gallon	70,968
Alcohol	\$4.50/proof gallon	43,299
Distilled Liquor	\$4.50/gallon	5,143,307

**Payment Method:**

Distributors of alcoholic beverages in Connecticut must obtain a tax license from DRS. (The alcoholic beverage industry is subject to state regulation by the Department of Consumer Protection and distributors, like manufacturers, wholesalers, and retailers, must also obtain permits from that agency's liquor control division.) Each month, distributors must report to DRS:

- the total gallons of each alcoholic beverage sold;
- opening and closing inventories; and
- the amount of tax due.

The tax is due on or before the last day of each month for sales made during the previous month.

**Exemptions/Credits:**

The main exemptions to the alcoholic beverage tax include sales:

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<sup>1</sup> The other 18 states operate monopoly systems, controlling liquor sales at the wholesale level through government agencies. In some control states, retail sales of some or all alcoholic beverages are also limited to government-operated stores or state supervised outlets. Revenues in control states are generated from markups on liquor as well as excise taxes on beer and wine, making comparisons with license states difficult. Within the Northeast region, Maine, New Hampshire and Vermont are control states while Connecticut, Massachusetts, New Jersey, New York, and Rhode Island are license states.

## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

- to licensed distributors;
- for transport out-of-state; and
- to federal military organizations located on federal bases.

Sales of malt beverages consumed on the premises of an establishment with a manufacturer's permit, and sales of alcoholic beverages and ethyl alcohol for medical/scientific/industrial use and not human consumption, are also exempted. Up to four gallons of alcoholic beverages may be brought into the state without taxation.

The Office of Fiscal Analysis estimates these exemptions have a minimal or indeterminate fiscal impact, except for the federal military exclusion, which is projected to reduce revenues by about \$500,000.

#### Number of Taxpayers:

According to the most recent available DRS annual report (FY 03), the number of alcoholic beverage taxpayers totals 96 distributors per month.

#### History and Background:

Excise taxes on alcoholic beverages have been a revenue source, and sometimes a significant one, for all levels of government including the state of Connecticut since colonial times. In recent decades, there have been few changes made in the tax base or rate, although numerous revisions in the liquor control laws (e.g., legal drinking age, operating hours, regulatory permit structure) have occurred. Tax rates on liquor, wine, and beer in place since the 1970s were raised 20 percent in 1984 and increased significantly again in 1989. Rates have not been changed since, and there has been only a minor modification to the tax base -- the addition of certain small wineries in 1994.

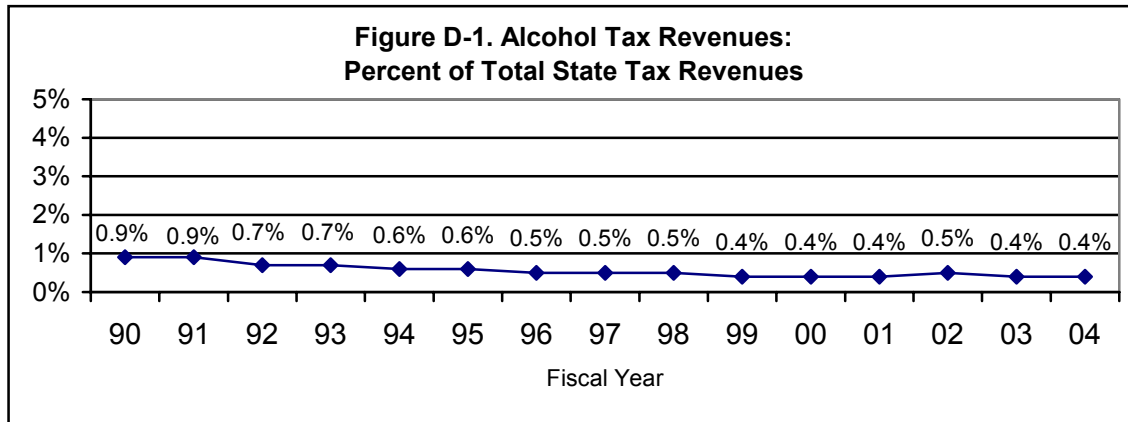
#### Revenue Produced:

Revenues produced by the alcoholic beverage tax, summarized for the past five years in the table below, totaled about \$44 million in FY 04. This represents less than 1 percent of the year's total state tax collections.

<b>Table D-1. Alcoholic Beverage Tax: Revenues Collected FY 00 –FY 04</b>				
<b>FY 00</b>	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>
\$40,964,788	\$41,145,469	\$41,619,392	\$42,490,335	\$44,044,011

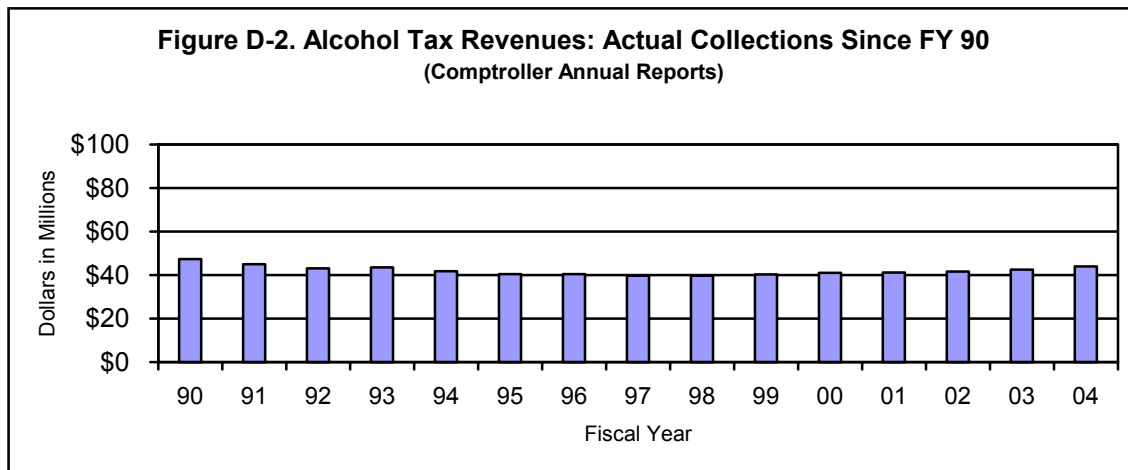
As noted earlier, Connecticut does not rely heavily on any of its excise taxes and the alcoholic beverage tax is one of the state's smallest tax revenue sources. Figure D-1 shows alcoholic beverage tax revenues since FY 90 have contributed less than one percent of total state tax revenues each year and the proportional share has been declining over time.

**Appendix D**  
**Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**



**Revenue Trends:**

Tax collections from the alcoholic beverage tax have remained relatively flat over the past 15 years, as Figure D-2 indicates. Between FY 90 and FY 04, revenues from the taxes on liquor, wine, and beer actually declined, from \$47 million to about \$44 million.



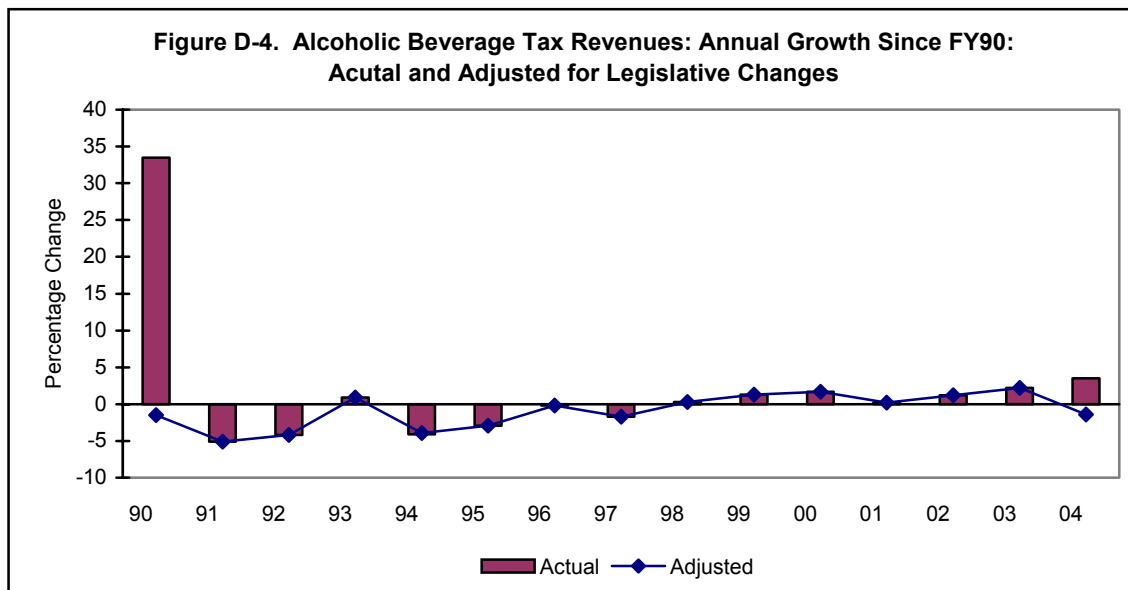
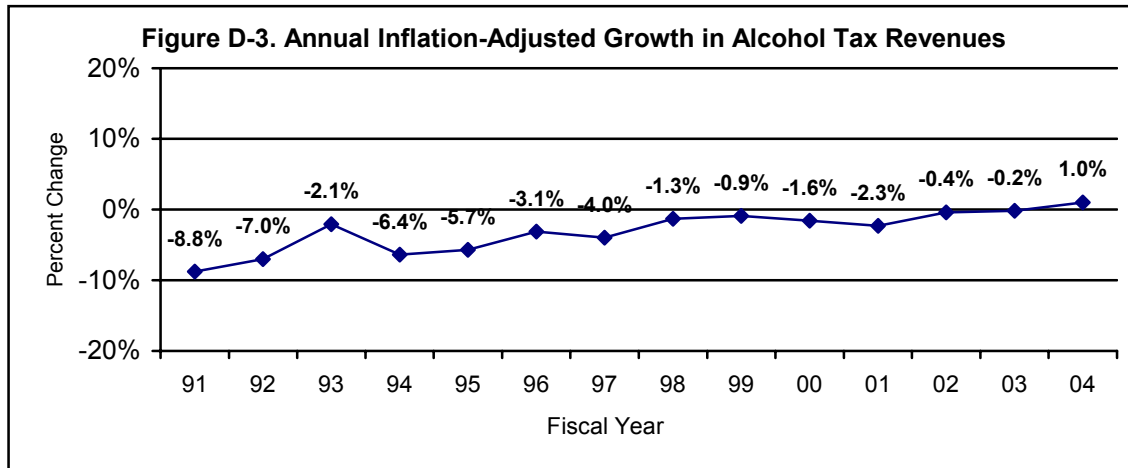
Alcoholic beverage tax revenues, when adjusted for inflation, have also experienced little real growth since FY 90. As Figure D-3 shows, the year-to-year change in inflation-adjusted revenues except for one fiscal year has been negative; in FY 04 there was a 1 percent increase in real dollar collections over the prior year.

Figure D-4, which presents the annual change in alcoholic beverage tax revenues adjusted to remove the fiscal impact of legislative rate and base changes, shows a similar pattern of flat growth. As discussed earlier, excise taxes calculated on a per unit basis, like the alcoholic beverage tax, are automatically eroded by inflation; without rate hikes or increased sales, revenues decline over time. Unlike tobacco taxes, the legislature has enacted no changes in the alcoholic beverage tax to counteract this trend. Relatively flat sales volume also appears to be contributing to this revenue decline.



## Appendix D

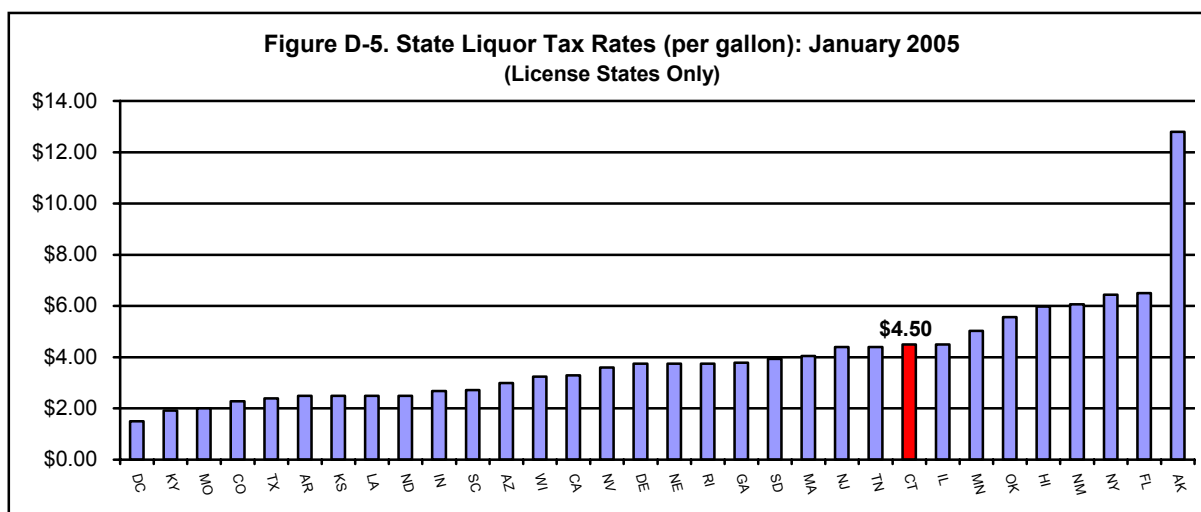
### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



#### Other States Comparison:

Based on January 2005 data, Connecticut's excise tax on liquor is among the highest rates in the country while its wine and beer tax rates are close to the national median, as Figures D-5 to D-7 illustrate. At \$4.50 per gallon, Connecticut's liquor tax rate is the 8<sup>th</sup> highest of the 33 jurisdictions that impose this excise tax (the 32 license states and the District of Columbia). Connecticut's \$0.60 per gallon rate for table wine ranked 26<sup>th</sup> of the 48 jurisdictions with such an excise tax; its beer tax rate, \$0.19 per gallon, ranked 24<sup>th</sup> highest among the 51 jurisdictions that impose this tax.

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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

Figure D-6. State Table Wine Tax Rates (per gallon): January 2005

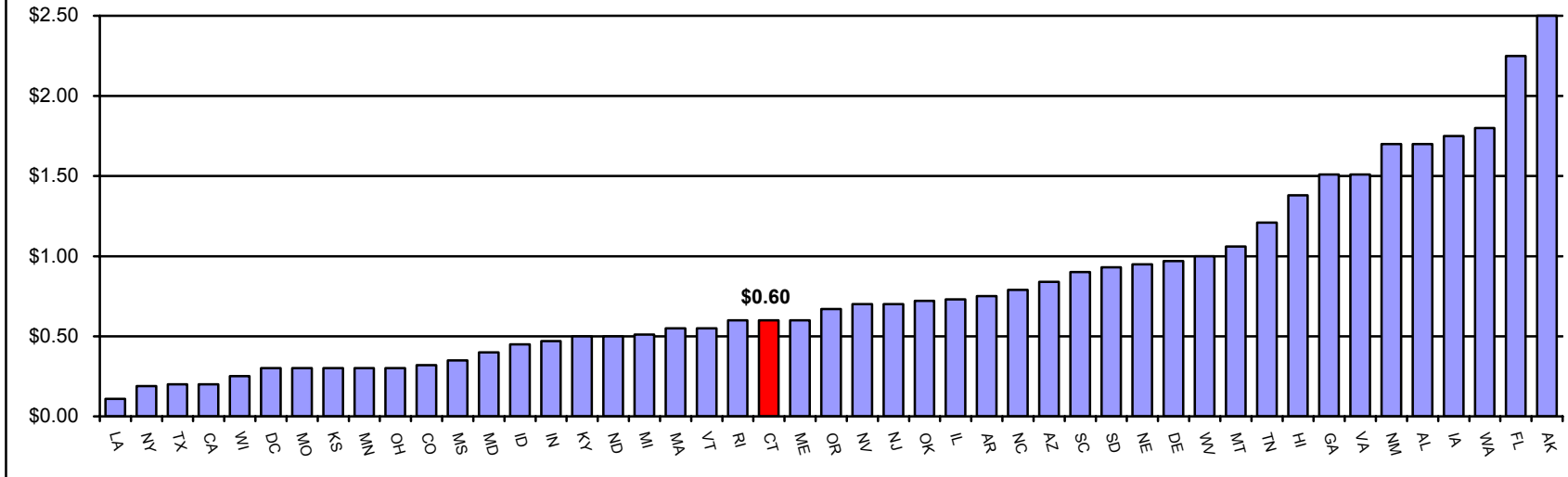
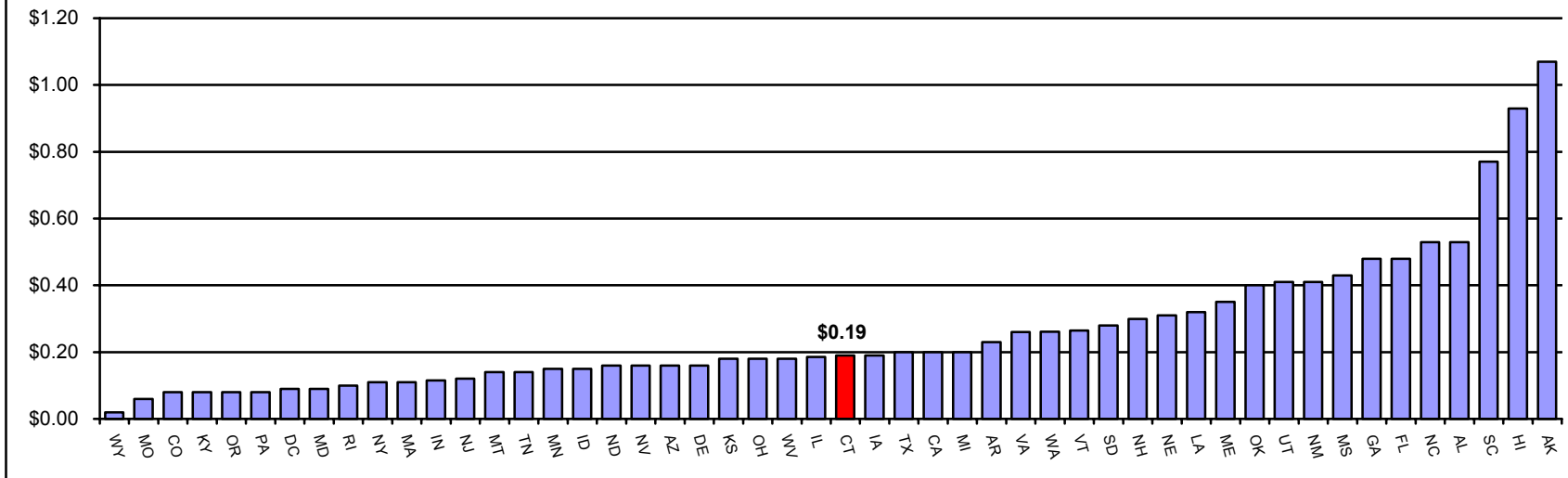
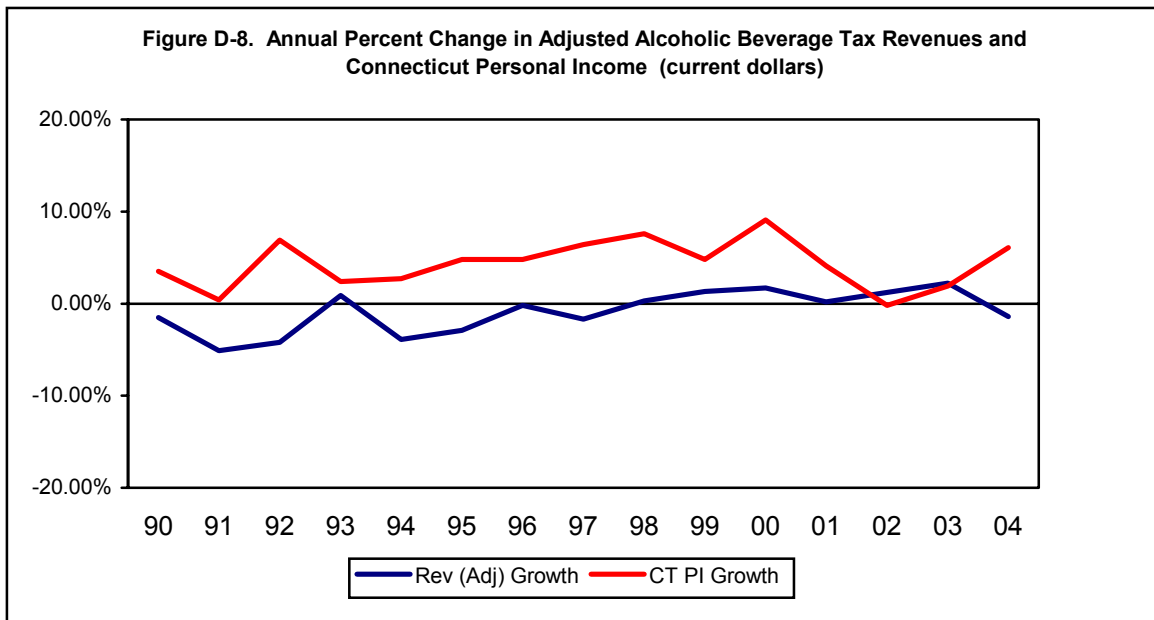


Figure D-7. State Beer Tax Rates (per gallon): January 2005



## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



#### ***Competitive:***

Connecticut's liquor tax rate is similar to that imposed in neighboring states, although it is 20 percent higher than the national median, as Table D-2 indicates. The table wine tax in Connecticut is lower than the national median and comparable to most rates in the region. Connecticut's excise tax on beer is about the same as the national median rate and higher than half the states in the northeast region.

<b>Table D-2. Alcoholic Beverage Tax Rates As of Jan. 2005: Connecticut and Other Northeast States</b>									
	CT	ME	MA	NH	NJ	NY	RI	VT	National Median
<b>Liquor</b>	\$4.50	C	\$4.05	C	\$4.40	\$6.44	\$3.75	C	\$3.75
<b>Table Wine</b>	\$0.60	\$0.60	\$0.55	C	\$0.70	\$0.19	\$0.60	\$0.55	\$0.69
<b>Beer</b>	\$0.19	\$0.35	\$0.11	\$0.30	\$0.12	\$0.11	\$0.10	\$0.265	\$0.188
C = Control state (excise tax not applicable)									
Source of Data: FTA									

#### ***Promotes Compliance***

In Connecticut, as in other license states, taxes on alcoholic beverages are collected from a relatively small number of distributors on a monthly basis, which simplifies administration and



## **Appendix D**

### **Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**

enforcement. There have been no significant changes to the tax rate and base in recent years to complicate administration.

#### ***Fairly Administered/Accountable***

Like other taxes applied at the wholesale level and included in the purchase price, the alcoholic beverage tax is not easily identified by consumers. Less visible taxes like the liquor, wine, and beer taxes, have less taxpayer accountability.

### **TAX PROFILE: CIGARETTE AND TOBACCO PRODUCTS TAXES**

#### **Statutory Citation**

Chapters 214 (Cigarette) and 214a (Tobacco Products)

#### **Description**

Like all other states, Connecticut imposes an excise tax on all cigarettes as well as on other tobacco products such as cigars, snuff, pipe tobacco, and chewing tobacco sold in the state. Sales of cigarettes and tobacco products are additionally subject to the state sales and use tax.

#### **Calculation Method**

Tax rates, as of September 2005, are:

- Cigarettes: 75.5 mills per cigarette or \$1.51 per pack of 20
- Tobacco products: 20 percent of wholesale price for all products except snuff, which is taxed at \$0.40 per ounce

#### **Payment Method**

Cigarette dealers and distributors, primarily candy and tobacco product wholesale companies, must be licensed by DRS and must purchase stamps or heat-applied decals to affix to each pack of cigarettes to indicate payment of tax. The tobacco products tax is imposed when the items are manufactured, imported, or purchased by distributors. Tobacco product distributors, which include all manufacturers, purchasers, and importers, also are subject to annual licensure by DRS and must remit the tax on a monthly basis.

#### **Exemptions/Credits**

The following transactions are excluded from the state cigarette and tobacco products taxes:

- Cigarette sales or purchases at military bases;
- Cigarettes sold to any state institution other than a correctional facility;
- Tobacco products exported from Connecticut; and
- Tobacco products sold to the federal government.

The Office of Fiscal Analysis estimates these exclusions have an indeterminate or minimal (\$50,000 or less) fiscal impact except for the exported tobacco products exemption, which is projected to reduce potential revenues by about \$5 million.

#### **Number of Taxpayers**

Direct taxpayers, according to the most recent available DRS annual report (FY 03), total:

- Cigarette dealers/distributors: 67 per month

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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

- Tobacco product distributors: 225 per month

#### History and Background:

Over the past 15 years, the per pack tax rate on cigarettes has changed frequently in Connecticut. Substantial increases were enacted in 2002 and 2003, specifically the per pack rate increased:

- 122 percent, from \$0.50 to \$1.11, effective April 1, 2002 (P.A. 02-1); and
- Another 36 percent, from \$1.11 to \$1.51, effective March 15, 2003.

Further increases were proposed by the governor for consideration in the 2005 legislative session but were not adopted. Earlier changes in the cigarette tax per-pack rate since 1990 include:

- FY 90 – increase from \$0.26 to 0.40 (P.A. 89-16).
- FY 92 – increase from \$0.40 to \$0.45 (P.A. 91-3 JSS)
- FY 94 – increase from \$0.45 to \$0.47 (P.A. 93-74)
- FY 95 – increase from \$0.47 to \$0.50 (also P.A. 93-74)

In 1990, the state also instituted the tax on tobacco products other than cigarettes (P.A. 89-251).

#### Revenues Produced

In FY 04, the Cigarette and Tobacco Product Taxes together raised almost \$280 million, just under 3 percent of total state-only tax revenues collected that year. Most of the revenue (96 to 98 percent) comes from the cigarette tax as Table D-3 indicates. The tax on other tobacco products has produced no more than \$5.5 million annually since it was first levied.

**Table D-3. Cigarette and Tobacco Products Taxes: Revenues Collected FY 00 –FY 04**

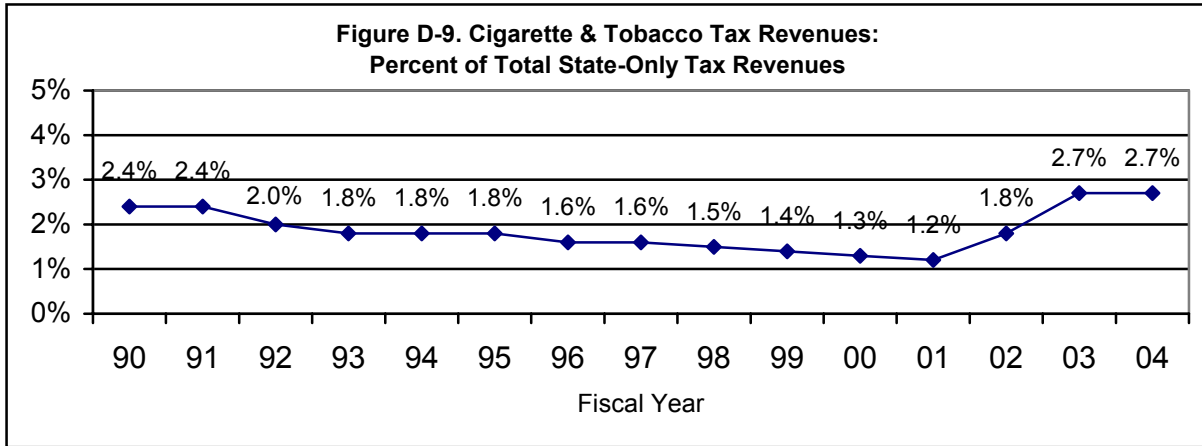
	<b>FY 00</b>	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>
<b>CIGARETTES</b>	\$ 117,425,635	\$114,847,459	\$156,485,164	\$251,495,142	\$ 275,908,244
<b>Tobacco</b>	\$ 4,951,833	\$ 4,464,835	\$ 4,418,839	\$ 4,558,659	\$ 3,966,136

Source of Data: DRS Annual Reports

Connecticut's tax system does not rely heavily any of its excise taxes and its cigarette and tobacco product taxes are very small revenue sources. In recent years, due to higher rates, the proportional contribution to state revenues of these taxes rose to nearly 3 percent after dropping to under 2 percent following institution of the state's personal income tax in 1991. (See Figure D-9.) Like many states, however, Connecticut uses hikes in its cigarette tax to help make up revenue shortfalls during fiscal crises.

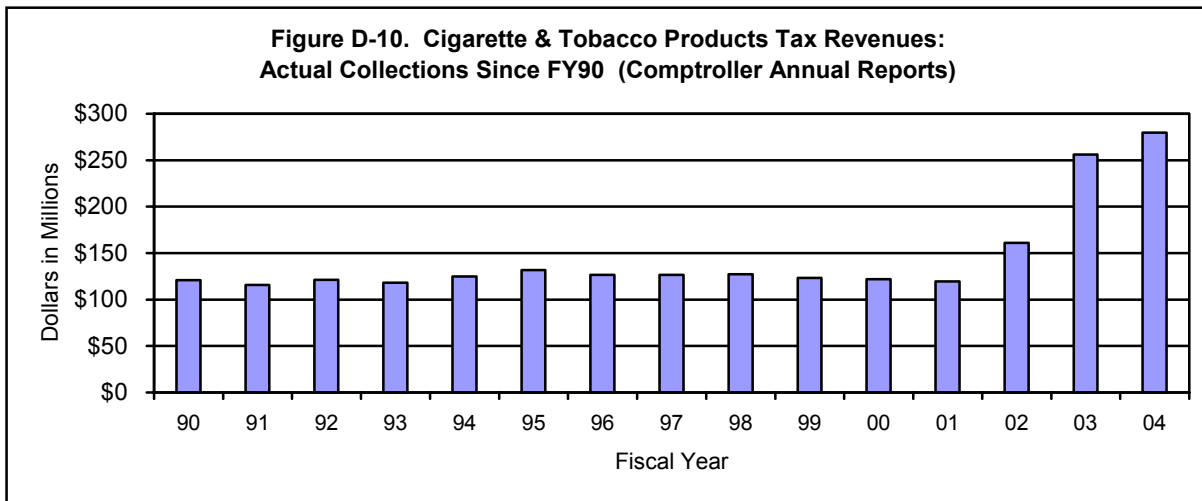
## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



#### Revenue Trends

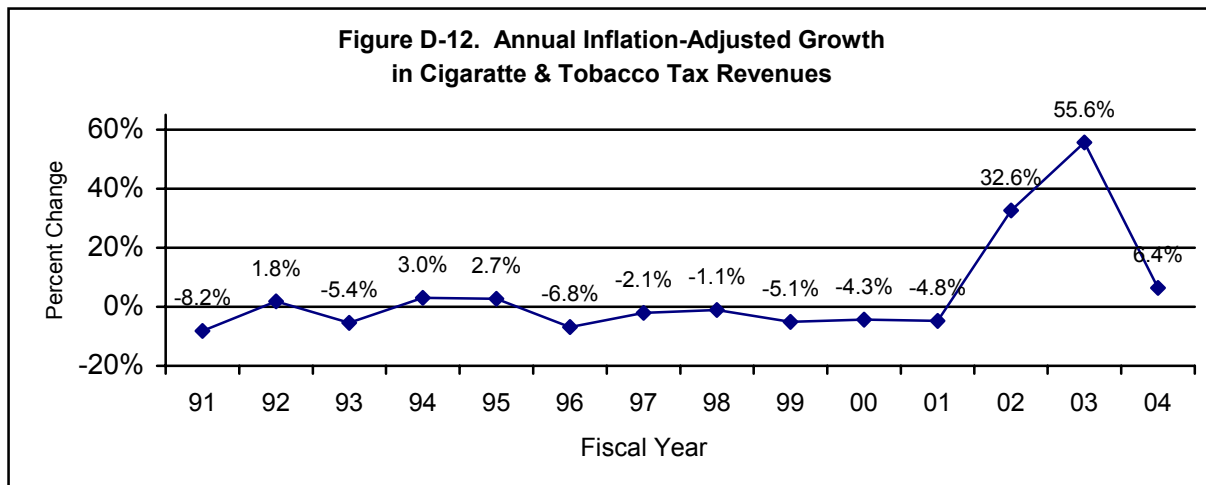
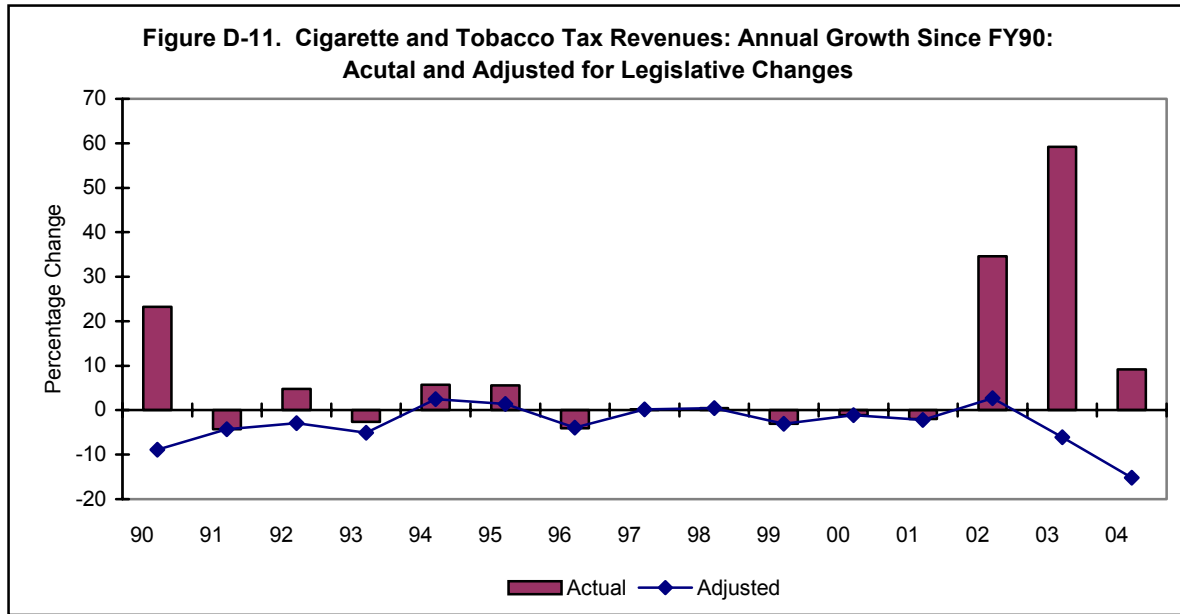
Connecticut, like most states, has continually increased its cigarette tax rate to reverse an overall trend of declining revenues related to diminishing tobacco product consumption. The year to year fluctuations in actual tax collections, shown in Figure D-10, reflect these periodic rate changes. Most recently, cigarette tax revenues jumped significantly because of the legislation enacted during the 2002 and 2003 that together more than doubled the per pack tax rate.



As Figure D-11 illustrates, growth in revenues from the cigarette and tobacco products taxes, when adjusted for legislative changes made to the tax rate, has been small or negative since FY 90. Real revenue growth since that fiscal year, presented in Figure D-12, shows a similar pattern. The only significant growth in tobacco tax revenues adjusted for inflation occurred after the legislature enacted major rates increases during the state's most recent fiscal crisis.

## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



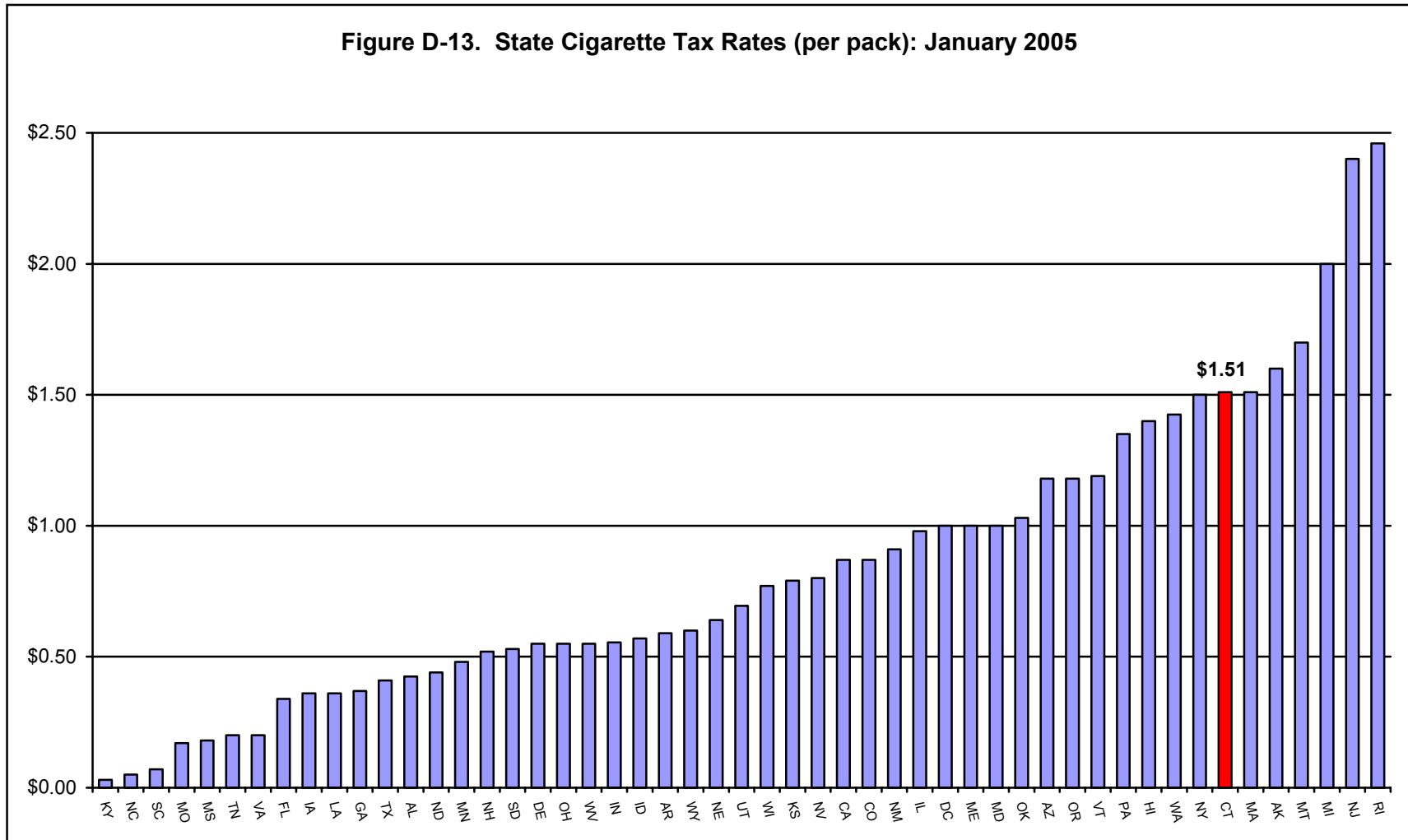
#### Other States Comparison:

All 50 states and the District of Columbia have an excise tax on cigarettes, and counties and cities in several states are permitted to impose an additional tax on tobacco products. As of January 2005, the highest per-pack cigarette tax is \$2.46 in Rhode Island, the lowest is \$0.03 in Kentucky and median per-pack tax rate is \$0.695. At \$1.51, Connecticut, along with Massachusetts, currently ranks 6<sup>th</sup> highest in the country. (See Figure D-13 for a comparison of all state per pack cigarette tax rates.)



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**Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**

**Figure D-13. State Cigarette Tax Rates (per pack): January 2005**



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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

#### NCSL Principles: Assessment

##### *Equitable*

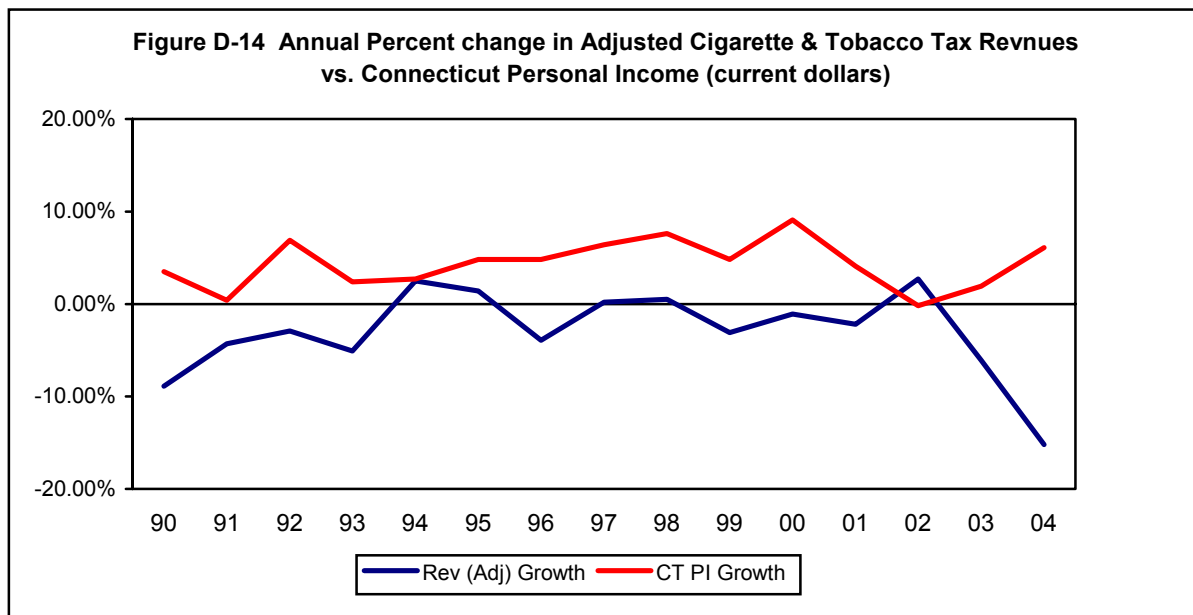
Connecticut's cigarette tax, like other selected sales taxes, is regressive. The rate is the same, \$1.51 per pack, for all taxpayers regardless of ability to pay. Tax burden data specific to Connecticut are not available, but a recent study by the Institute on Taxation and Economic Policy found that nationwide, cigarette taxes are about ten times more burdensome for low-income taxpayers than for the wealthiest taxpayers.<sup>3</sup> Specifically, the institute analysis showed in 2002 the share of personal income spent on average on cigarette taxes 0.9 percent for the poorest 20 percent of non-elderly Americans and less than 0.1 percent for those in the top 1 percent income group.

##### *Neutral*

Taxes on cigarette and other tobacco products, which are referred to as "sin taxes," are not intended to be neutral. A major purpose of the tax is to influence consumer behavior by discouraging smoking.

##### *Reliable*

The trend in adjusted state tobacco tax revenues since FY 90 is compared with Connecticut personal income growth, a measure of the state economy, in Figure D-14. As the figure indicates, tobacco consumption is not closely related to economic conditions. In general, since cigarette sales not affected by economic downturns as much as other types of products, tobacco taxes are considered a relatively stable revenue source



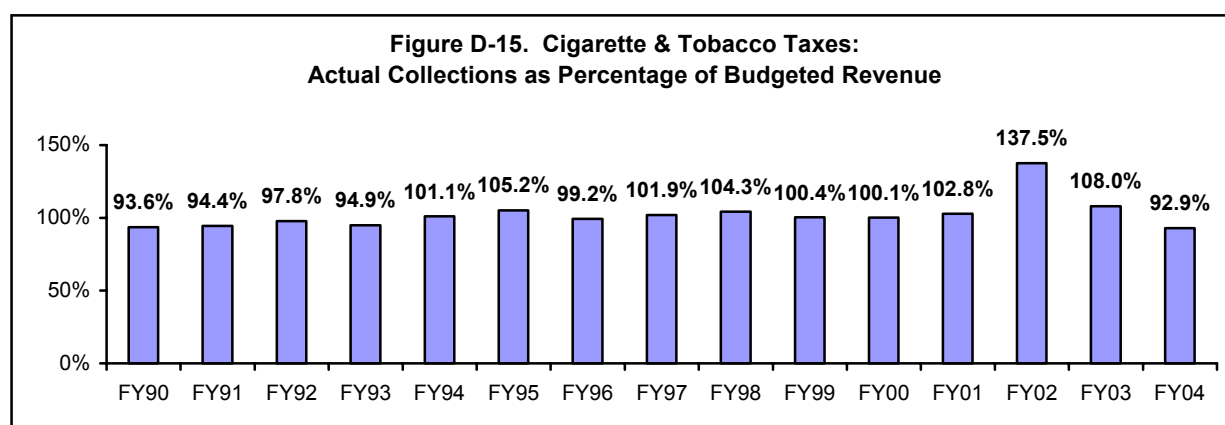
<sup>3</sup> *Cigarette Taxes: Issues and Options*, Institute on Taxation and Economic Policy, Washington, D.C., Talking Taxes Policy Brief #1, 2005.

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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

At the same time, as Figure D-14 also shows, tobacco taxes grow more slowly than the economy. This is partly because, like other excise taxes, tobacco taxes are calculated on a per unit basis; unlike price-based consumption taxes, they do not go up automatically with inflation.<sup>4</sup> In addition, absent legislated rate hikes to compensate for declining tobacco product sales, revenue growth has been negative in 11 of the past 15 year. Given these factors, the state's tobacco taxes are neither a certain nor sufficient source of funding for public services that grow most costly each year.

Over the 15 year period shown in Figure D-15, actual cigarette and tobacco product tax collections have been within 10 percent of budgeted revenues except for FY 02. The large difference that year was due to a significant rate increase enacted during the legislative session and therefore not accounted for in original projections. The wider than average gaps in the most recent two years, however, may be evidence of growing tax evasion problems and the difficulties that creates for revenue estimates.



Rate hikes, particularly in excise taxes, can prompt consumers to shop in border states with lower rates, use the Internet for tax free purchases, or even resort to “black market” vendors. A May 2005 report by the Tax Foundation notes new guidelines for estimating how much cigarette sales will fall as price increases (i.e., the “elasticity of demand” for cigarettes) are needed since untaxed products are so much more easily available.<sup>5</sup>

Traditionally, researchers considered the elasticity for cigarettes to be one-third, meaning a 33 percent increase in prices would reduce sales by 11 percent. Some economist now believe the correct estimate may be two in certain cases; that is, increasing cigarette prices by one-third will cause sales to drop by two-thirds. It is generally agreed tobacco product taxes are becoming less predictable as well as less dependable as a state (or local) revenue source.

<sup>4</sup> While Connecticut's tax on tobacco products other than cigarettes is linked to wholesale price, which gives it better growth potential, its impact on revenue trends is limited since it is such a small portion of collections.

<sup>5</sup> *State Excise Taxation: Horse and Buggy Taxes In an Electronic Age*, Tax Foundation, Washington, D.C., Background Paper No. 48, May 2005.

## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

#### ***Competitive***

As of January 2005, Connecticut's per-pack cigarette tax is similar to the rates in effect in neighboring states, as Table D-4 shows. However, it is higher than four of the seven other states in the region, fourth highest in the U.S., and is well above the national median.<sup>6</sup> In contrast, Connecticut's tax rate on other tobacco products is among the lowest in the region. Given the state's already high cigarette tax rate, further hikes could make tobacco tax revenues even more vulnerable to erosion from smuggling and internet sales.

<b>Table D-4. January 2005 Cigarette and Tobacco Tax Rates: Connecticut and Other Northeast States</b>									
	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>NJ</b>	<b>NY</b>	<b>RI</b>	<b>VT</b>	<b>Median</b>
Cigarettes									
Per Pack Rate	\$1.51	\$1.00	\$1.51	\$0.52	\$2.40	\$1.50	\$2.46	\$1.19	\$0.695
<b>Other Tobacco</b>									
% of wholesale price	20	varies	30	19	30	37	30	-	n/a
% of market price	-	-	-	-	-	-		41	n/a
Source of Data: Federation of Tax Administrators, January 2005									

#### ***Promotes Compliance***

In Connecticut, like many states, tobacco taxes are collected at the wholesale level, making the number of taxpayers relatively small. This simplifies administration and enforcement although the cigarette tax stamp process, required in most states including Connecticut, adds complexity and expense for the administrative agency and tobacco product distributors. Some extra work is also created by the repeated changes in the cigarette tax rate in recent years.

#### ***Fairly Administered/Accountable***

Like other taxes applied at the wholesale level and included in the purchase price, tobacco product taxes are not easily identified by consumers. Less visible taxes like the cigarette tax have less taxpayer accountability.

### **PROFILE: MOTOR VEHICLE FUELS TAX AND MOTOR CARRIER ROAD TAX**

#### **Statutory Citation:**

Chapters 221 (Motor Vehicle Fuels) and Chapter 222 (Motor Carrier)

#### **Description:**

Connecticut like all other states and the District of Columbia imposes an excise tax on motor fuels and earmarks the revenues for transportation purposes. Motor vehicle fuels in Connecticut are statutorily defined as gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle. Like other states, Connecticut has two similar but separate motor fuel tax programs:

<sup>6</sup> A number of states enacted significant increases in their tobacco taxes during their just completed legislative sessions. The median cigarette tax rate, therefore, will be higher than in January 2005, but Connecticut's rate still remains among the highest in the country.



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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

- *The Motor Vehicle Fuels Tax* is a per gallon levy imposed on distributors of fuel sold or used within the state, which is included in the price consumers pay at the pump.
- *The Motor Carrier Road Tax* applies only to certain heavier vehicles (i.e., trucks and buses over 26,000 gross weight or with more than two axles) generally engaged in interstate commerce. It is intended to address tax avoidance by ensuring such vehicles either purchase fuel in Connecticut or pay an amount equal to the motor fuel tax on fuel used in the state but not purchased here, based on the motor carrier's reported mileage and fuel purchases.

Both motor fuel taxes impose the same per gallon rates, which vary by type of fuel.

#### Calculation Method:

Current motor fuel tax rates, along with the most recent sales volume data available from DRS, are summarized below:

<u>Fuel</u>	<u>Rate</u>	<u>Motor Vehicle Fuels Tax Gallonage FY 03</u>
Gasoline	\$0.25/gallon	1,492,144,179
Gasohol	\$0.24/gallon	43,233,501
Diesel Fuel	\$0.26/gallon	243,571,770
Natural Gas and Propane	\$0.26/gallon	(all special fuels combined)

#### Payment Method:

Distributors of motor vehicle fuels must pay their motor vehicle fuels tax to the Department of Revenue Services on or before the 25<sup>th</sup> day of each month, based on their previous month's sales. Taxpayers subject to the motor carrier road tax must file quarterly returns and make payments quarterly (by the end of the month in January, April, July, and October). All motor carriers are required to obtain tax licenses from DRS as well as purchase decals to affix to all their vehicles subject to the motor carrier road tax.

Since 1996, Connecticut has been part of a cooperative agreement in effect in most states and Canadian provinces, the International Fuel Tax Agreement (IFTA). The agreement was designed to simplify motor fuel tax reporting and collection for interstate motor carriers. Under IFTA, motor carriers are required to file quarterly returns only in their base jurisdiction (e.g., where operations are controlled and vehicles are registered); fuel tax collections are then allocated to states based on miles traveled in each jurisdiction. Credit is allowed for taxes paid on motor fuels purchased within a state; refunds are made if a motor fuels tax credit amount exceeds the motor carrier road tax due. Connecticut does not require motor carriers who travel solely within the state (intrastate motor carriers) to file a return; instead, they pay the tax at the time of fuel purchase.

#### Exemptions/Credits:

There are a number of exemption, refund, and credit provisions for both the motor vehicle fuels and motor carrier road taxes. The main ones are listed below, along with the OFA estimated fiscal impact (shown in parentheses).

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### **Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**

- Motor Vehicle Fuels Tax Exemptions: aviation fuel (\$45 million) heating fuel (\$100 million); fuel transferred out of state (indeterminate); fuel exported by distributor licensed out of state (\$113 million); alternative fuels used by certain vehicle fleets (less than \$0.5 million); fuel purchased by or used for federal government (indeterminate) , municipal contractors (indeterminate); transit districts, municipal or state governments (\$10 million), fuel distributors (\$711 million), farming (indeterminate), industrial fabrication, agricultural production, and fishing (indeterminate)
- Motor Vehicle Fuels Tax Refunds: vehicles not operated on highways (\$3 million); Connecticut motor bus companies and livery services and 50% refunds for taxicabs and airport livery and bus services (\$million); high occupancy commuter vehicles; municipal, state, and federal government vehicles; transit districts vehicles; hospital and civic group ambulances; farming vehicles; vehicles used for Meals on Wheels deliveries (latter refunds all less than \$0,5 million each)
- Motor Carrier Road Tax Exemptions: interstate charter and tour buses; school buses; federal government (indeterminate)
- Motor Carrier Road Tax Credits: motor vehicle fuels tax paid on instate purchase (\$1 million)

#### **Number of Taxpayers:**

According to the most recent available DRS annual report (FY 03), motor fuel taxpayers by type include:

- Motor Vehicle Fuels Tax distributors: 700/month
- Motor Carriers: 2,900 IFTA/quarter; 3,500 intrastate motor carriers

#### **History and Background:**

At the federal and state level, excise taxes on gasoline and other motor fuels that raise revenues for highway construction and maintenance and other purposes have a long history. Over the years, in Connecticut and other states, additional fuels have been added to the tax base, and rates have been raised and lowered for environmental as well as economic reasons. Since 1983, revenues from Connecticut's motor fuels taxes have been dedicated to the state Special Transportation Fund created that year.

Since 1990, a number of changes in both the base and the rates of the motor fuel taxes have been enacted. The main legislative revisions included:

- 1992 – temporary increase in diesel rate to \$0.18
- 1993 – diesel rate increase made permanent
- 1994 – motor fuel tax rates increased \$0.05 per gallon, in \$0.01 per year increments from October 1995 to January 1997; propane rate made equivalent (increased) to diesel rate
- 1995 – exemptions for alternative fuels (e.g., compressed as well as liquefied natural gas, liquefied petroleum gas) expanded and extended
- 1998 – gasoline tax rate reduced from \$0.39 to \$0.36 on 7/1/97 and from \$0.36 to \$0.33 on 7/1/98
- 1999 – gasoline tax rate additionally reduced from \$0.33 to \$0.32 on 7/1/98
- 2001 – gasoline tax rate reduced from \$0.32 to current \$0.25 rate on 7/1/00
- 2004 – gasohol tax rate increased from \$0.24 to \$0.25

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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes

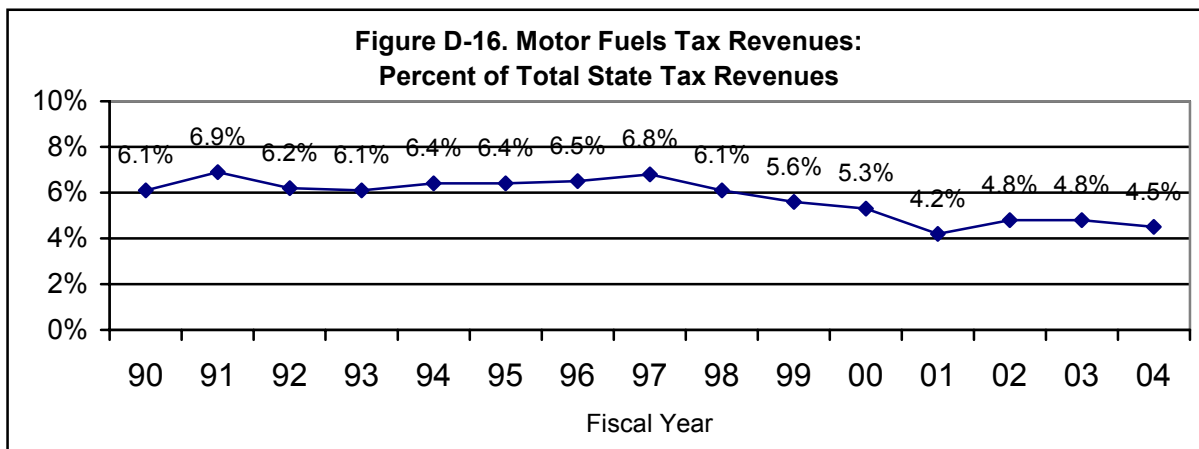
During 2005, governors and legislatures in many states including Connecticut considered a variety of options for lowering the motor fuels taxes (e.g., temporary suspension of motor fuel taxes, rate reductions, and motor fuel tax “holidays.”) in response to soaring gasoline prices. However, no changes were made to any provisions of Connecticut’s motor fuel excise taxes.

#### Revenue Produced:

The Connecticut motor fuels excise taxes are the state’s most substantial selected sales taxes. In FY 04, the motor vehicle fuels and motor carrier road taxes together produced nearly \$465 million in revenues. Motor fuel taxes, while a relatively small contributor to total state tax revenues, are the fourth largest tax source for Connecticut. As Table D-5 indicates, the motor vehicle fuels tax is responsible for the bulk of collections while the motor carrier tax, on average, accounts for about 3 percent of the total revenues.

<b>Table D-5. Motor Vehicle Fuels and Motor Carrier Road Taxes: Revenues Collected</b>					
	<b>FY 00</b>	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>
MV Fuels	\$496,658,719	\$407,559,662	\$421,805,196	\$ 446,537,641	\$ 451,903,729
Motor Carrier	\$10,078,118	\$10,274,045	\$8,780,096	\$ 11,756,924	\$12,875,278
Source of Data: DRS Annual Reports					

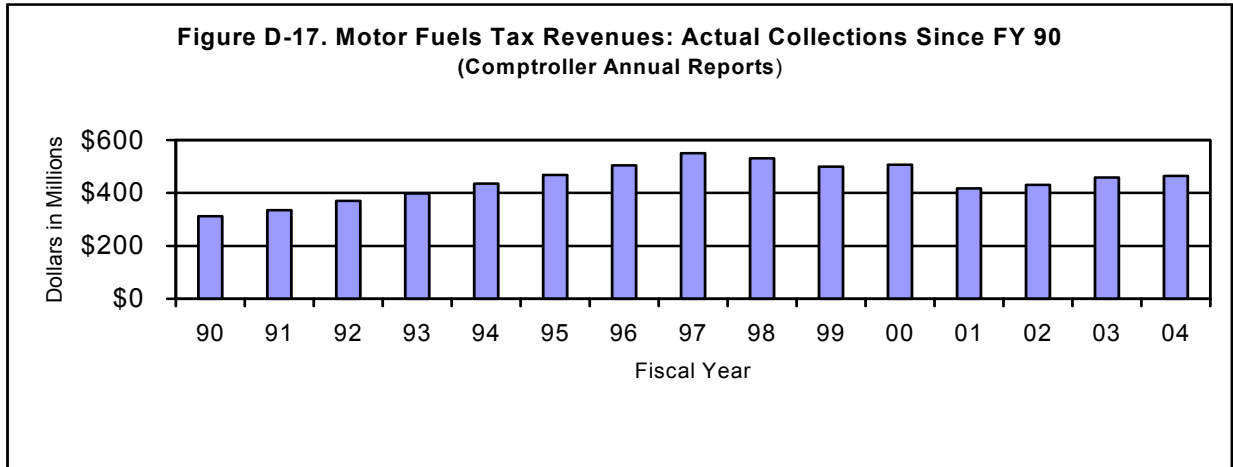
On average since FY 90, motor fuel taxes have contributed fewer than 6 percent of total state tax revenues. However, as Figure D-16 shows, this proportional share has been declining over time. At present, Connecticut’s reliance on motor fuel taxes as a state revenue source is lower than the US average. In 2004, motor fuel excise taxes accounted for 5.7 percent of all state tax collections in the US but only 4.5 percent of total state tax revenues in Connecticut.



**Revenue Trends:** Actual motor fuels tax collections, shown in Figure D-17 below, grew steadily through most of the 1990s, peaking in FY 97. Some of the subsequent drop off in revenues reflects the impact of a series of tax rate reductions enacted by the legislature beginning in 1998.

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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



Annual growth in motor fuel tax revenues adjusted for such legislative changes (increases and decreases in tax rates and base), is presented in Figure D-18. While fluctuations in these adjusted revenues are less dramatic than in actual collections, the year to year variation motor fuel taxes due to primarily to economic factors is still considerable.

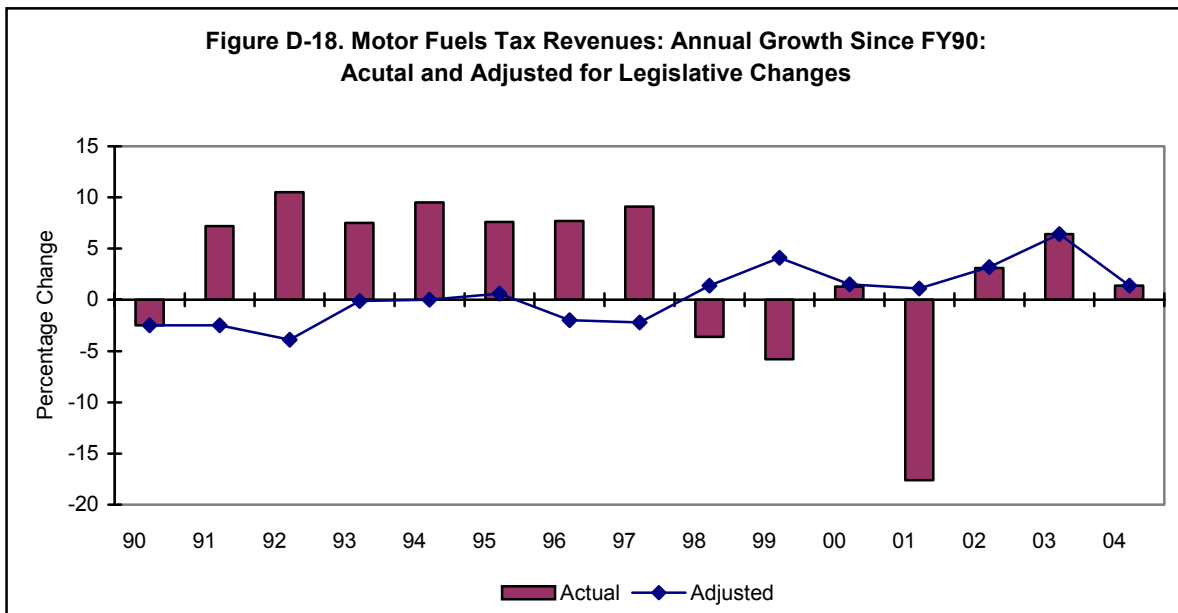
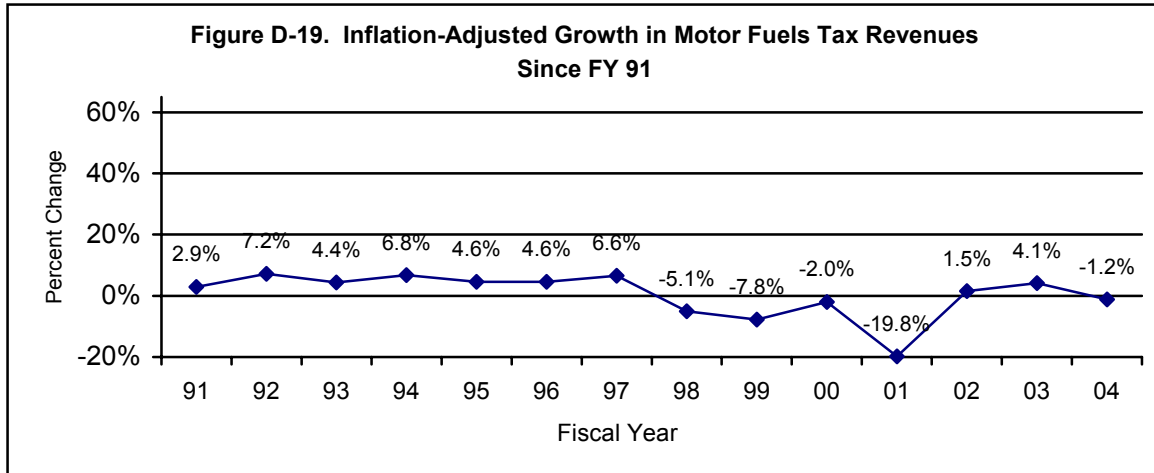


Figure D-19 shows the real growth in actual motor fuel tax collection, which is the annual change in revenues adjusted for inflation. In the first half of the period shown, motor tax revenues grew beyond the inflation rate, rising in real value about 5 percent annually on average. In contrast, after FY 97, repeated tax rate cuts contributed to negative real growth every year. The year-to-year drop in inflation-adjusted motor fuel tax revenues between FY 98 and FY 04 ranged from around minus 1 percent to almost minus 20 percent and averaged minus 4 percent.



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### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



#### **Other States Comparison:**

As of January 2005, Connecticut's per gallon gasoline tax rate of \$0.25 was the 10<sup>th</sup> highest in the country as Figure D-20 shows. While state gas tax rates ranged from only \$0.04 (Florida) up to \$0.30 (Rhode Island), half of the states imposed a tax of at least \$0.20 per gallon. As mentioned earlier, a number of states are considering or have already instituted lower motor fuel tax rates since January 2005 so current state rankings are likely to differ from the data compiled at the beginning of this year.

#### **NCSL Principles: Assessment**

##### ***Equitable***

Like other per unit excise taxes, Connecticut's motor vehicle fuels and motor carrier road taxes are regressive. Tax rates are unrelated to ability to pay so low-income households spend more of their income on gasoline and other motor fuel taxes than middle and higher income households.

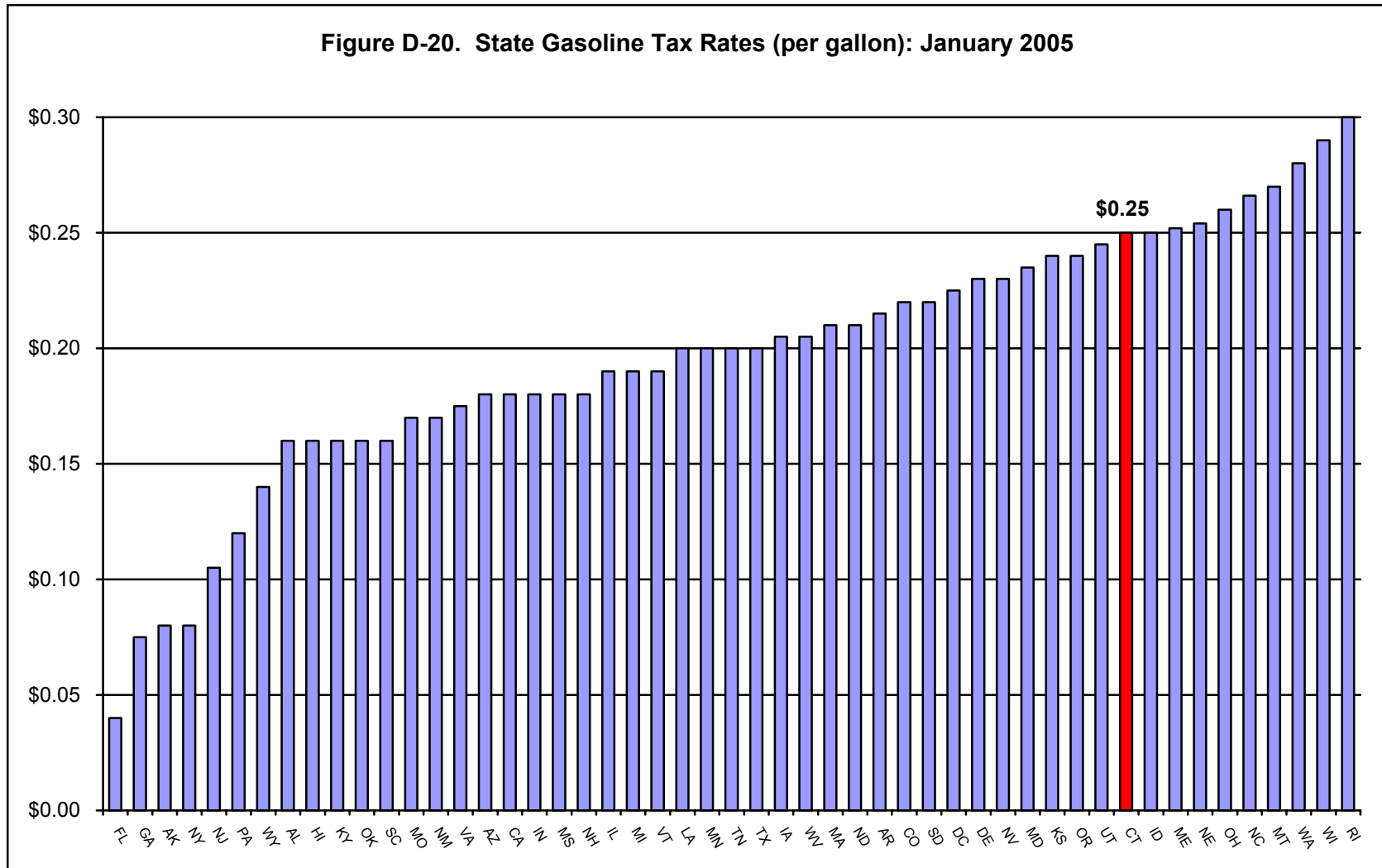
##### ***Neutral***

Motor fuel taxes, in general, are not intended to encourage or discourage gasoline or other vehicle fuel consumption. High taxes, however, can influence consumer decisions about the types of vehicles they drive and how much they drive. In addition, some states, including Connecticut, have established preferential tax policies to encourage the use of "cleaner" alternative fuels for environmental purposes (e.g., improved air quality.)

##### ***Reliable***

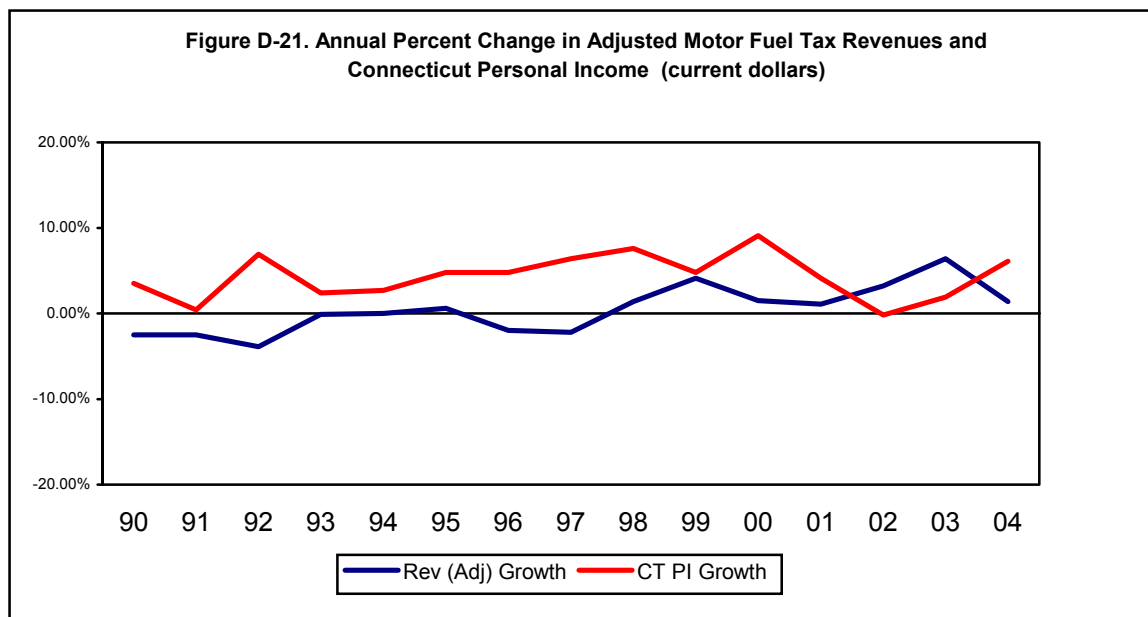
Motor fuel taxes, like other per unit excise taxes, do not keep pace with the economy without rate hikes. As Figure D-21 shows, motor fuel revenues when adjusted for legislative changes have grown at rates below Connecticut personnel income growth in all but two years since FY 90; growth rates for the tax were negative for six years in the period shown. Overall, while the state personal income rose on average 4.4 percent per year, the average annual increase in adjusted motor fuel tax revenues was about 0.4 percent. Given these factors, motor fuel taxes are not a reliable and adequate revenue source to support ever increasing transportation system needs.

**Appendix D**  
**Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**



## Appendix D

### Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes



Adequate revenue growth is compounded by fact that vehicles are generally becoming more fuel efficient. As fuel consumption declines, so do related tax revenues unless rates are increased. To preserve motor fuel tax revenues and avoid the need to frequently legislate tax hikes, some states index their gas tax rates. Indexing means tax rates are adjusted each year relative to changes in an economic indicator, such as the consumer price index, or a measure related to the taxed activity, vehicle miles traveled or total fuel consumption, for example.

#### ***Competitive***

Connecticut's motor fuel tax rates are among the highest in the region. Connecticut has the fourth highest gasoline tax and the third highest diesel and gasohol taxes (including additional tax rates with excise rates) of the eight states shown in Table D-5. While it is likely some motor fuel tax revenues are lost to neighboring states with lower rates, the fiscal impact of Connecticut's comparatively high rate has not been examined.

<b>Table D-5. Motor Fuel Tax Rates (cents per gallon): Connecticut and Other Northeast States, January 2005</b>								
	CT	ME	MA	NH	NJ	NY	RI	VT
<b><i>GASOLINE</i></b>								
Excise	25.0	25.2	21.0	18.0	10.5	8.0	30.0	19.0
Add.	-	-	-	1.5	4.0	15.2	1.0	1.0
<b><i>DIESEL</i></b>								
Excise	26.0	26.3	21.0	18.0	13.5	8.0	30.0	25.0
Add.	-	-	-	1.5	4.0	13.45	1.0	1.0
<b><i>GASOHOL</i></b>								
Excise	25.0	25.2	21.0	18.0	10.5	8.0	30.0	19.0
Add.	-	-	-	1.5	4.0	15.2	1.0	1.0
Note: Add. is an additional motor fuel tax rate some states apply to motor carriers. Source of Data: Federation of Tax Administrators								

## **Appendix D**

### **Detailed Profiles Connecticut's Alcohol, Cigarette, and Motor Fuel Excise Taxes**

#### ***Promotes Compliance***

Like other taxes collected at the wholesaler level, the motor vehicle fuels tax motor fuels is paid by a relatively small number of taxpayers, which simplifies administration and enforcement. The number of motor carrier road taxpayers is significantly larger and the process requires licensing as well as filing of reports; both factors result in more complicated and expensive processing for DRS and taxpayers. Participation in IFTA has simplified motor carrier road tax administration and it is expected that Connecticut's participation in the FTA motor vehicle fuels tax uniformity project will similarly improve processing and compliance in that tax program. Frequent gasoline tax rate changes in recent years along with the addition and expansion of various exemptions for alternative fuels has likely complicated tax administration and compliance.

#### ***Fairly Administered/Accountable***

Like other taxes applied at the wholesale level and included in the purchase price, motor fuel taxes are not easily identified by consumers. Less visible taxes like the excise tax on gasoline and other motor fuels, therefore, are less accountable to taxpayers.

**Appendix E: STATE INDIVIDUAL INCOME TAXES (Compiled by Federation of Tax Administrators)**  
(Tax rates for tax year 2005 -- as of January 1, 2005)

	---Tax Rates---		# of	--Income Brackets--			---Personal Exemption---		
State	Low	High	Brackets	Low	High	Single	Married	Child.	
ALABAMA	2.0	- 5.0	3	500	(b) - 3,000	(b)	1,500	3,000	300
ALASKA	No State Income Tax								
ARIZONA	2.87	- 5.04	5	10,000	(b) - 150,000	(b)	2,100	4,200	2,300
ARKANSAS (a)	1.0	- 7.0 (e)	6	3,999	- 28,500		20 (c)	40 (c)	20 (c)
CALIFORNIA (a)	1.0	- 9.3	6	6,147	(b) - 40,346	(b)	85 (c)	170 (c)	265 (c)
COLORADO	4.63		1	----Flat rate----			-----None-----		
CONNECTICUT	3.0	- 5.0	2	10,000	(b) - 10,000	(b)	12,750 (f)	24,500 (f)	0
DELAWARE	2.2	- 5.95	6	5,000	- 60,000		110 (c)	220 (c)	110 (c)
FLORIDA	No State Income Tax								
GEORGIA	1.0	- 6.0	6	750	(g) - 7,000	(g)	2,700	5,400	2,700
HAWAII	1.4	- 8.25	9	2,000	(b) - 40,000	(b)	1,040	2,080	1,040
IDAHO (a)	1.6	- 7.8	8	1,129	(h) - 22,577	(h)	3,200 (d)	6,400 (d)	3,200 (d)
ILLINOIS	3.0		1	----Flat rate----			2,000	4,000	2,000
INDIANA	3.4		1	----Flat rate----			1,000	2,000	1,000
IOWA (a)	0.36	- 8.98	9	1,242	- 55,890		40 (c)	80 (c)	40 (c)
KANSAS	3.5	- 6.45	3	15,000	(b) - 30,000	(b)	2,250	4,500	2,250
KENTUCKY	2.0	- 6.0	5	3,000	- 8,000		20 (c)	40 (c)	20 (c)
LOUISIANA	2.0	- 6.0	3	12,500	(b) - 25,000	(b)	4,500 (i)	9,000 (i)	1,000 (i)
MAINE (a)	2.0	- 8.5	4	4,350	(b) - 17,350	(b)	2,850	5,700	2,850
MARYLAND	2.0	- 4.75	4	1,000	- 3,000		2,400	4,800	2,400
MASSACHUSETTS (a)	5.3		1	----Flat rate----			3,575	7,150	1,000
MICHIGAN (a)	3.9		1	----Flat rate----			3,100	6,200	3,100
MINNESOTA (a)	5.35	- 7.85	3	19,890	(j) - 65,350	(j)	3,200 (d)	6,400 (d)	3,200 (d)
MISSISSIPPI	3.0	- 5.0	3	5,000	- 10,000		6,000	12,000	1,500
MISSOURI	1.5	- 6.0	10	1,000	- 9,000		2,100	4,200	1,200
MONTANA (a)	2.0	- 6.9	7	2,300	- 13,900		1,900	3,800	1,900
NEBRASKA (a)	2.56	- 6.84	4	2,400	(k) - 26,500	(k)	101 (c)	202 (c)	101 (c)
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax is Limited to Dividends and Interest Income Only.								
NEW JERSEY	1.4	- 8.97	6	20,000	(l) - 500,000	(l)	1,000	2,000	1,500
NEW MEXICO	1.7	- 6.0	4	5,500	(m) - 16,000	(m)	3,200 (d)	6,400 (d)	3,200 (d)
NEW YORK	4.0	- 7.70	7	8,000	(n) - 500,000	(n)	0	0	1,000
NORTH CAROLINA (o)	6.0	- 8.25	4	12,750	(o) - 120,000	(o)	3,200 (d)	6,400 (d)	3,200 (d)
NORTH DAKOTA	2.1	- 5.54 (p)	5	29,050	(p) - 319,100	(p)	3,200 (d)	6,400 (d)	3,200 (d)
OHIO (a)	0.743	- 7.5	9	5,000	- 200,000		1,300 (q)	2,600 (q)	1,300 (q)
OKLAHOMA	0.5	- 6.65 (r)	8	1,000	(b) - 10,000	(b)	1,000	2,000	1,000
OREGON (a)	5.0	- 9.0	3	2,650	(b) - 6,550	(b)	154 (c)	308 (c)	154 (c)
PENNSYLVANIA	3.07		1	----Flat rate----			-----None-----		
RHODE ISLAND	25.0% Federal tax liability (t)			---			---	---	---
SOUTH CAROLINA (a)	2.5	- 7.0	6	2,460	- 12,300		3,200 (d)	6,400 (d)	3,200 (d)
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax is Limited to Dividends and Interest Income Only.								
TEXAS	No State Income Tax								
UTAH	2.30	- 7.0	6	863	(b) - 4,313	(b)	2,400 (d)	4,800 (d)	2,400 (d)
VERMONT (a)	3.6	- 9.5	5.0	29900.0	(v) 326,450	(v)	3,200 (d)	6,400 (d)	3,200 (d)
VIRGINIA	2.0	- 5.75	4	3,000	- 17,000		800	1,600	800
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0	- 6.5	5	10,000	- 60,000		2,000	4,000	2,000
WISCONSIN	4.6	- 6.75	4	8,840	(w) - 132,580	(w)	700	1,400	400
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	5.0	- 9.0 (x)	3	10,000	- 30,000		1,370	2,740	1,370

Source: The Federation of Tax Administrators from various sources.

(a) 15 states have statutory provision for automatic adjustment of tax brackets, personal exemption or standard deductions to the rate of inflation. Massachusetts, Michigan, Nebraska and Ohio indexes the personal exemption amounts only.

(b) For joint returns, the taxes are twice the tax imposed on half the income.

(c) tax credits.

(d) These states allow personal exemption or standard deductions as provided in the IRC. Utah allows a personal exemption equal to three-fourths the federal exemptions.

(e) A special tax table is available for low income taxpayers reducing their tax payments.

(f) Combined personal exemptions and standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$55,500.

(g) The tax brackets reported are for single individuals. For married households filing separately, the same rates apply to income brackets ranging from \$500 to \$5,000; and the income brackets range from \$1,000 to \$10,000 for joint filers.

(h) For joint returns, the tax is twice the tax imposed on half the income. A \$10 filing tax is charge for each return and a \$15 credit is allowed for each exemption.

(i) Combined personal exemption and standard deduction.

(j) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$29,070 to over \$115,510.

(k) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$4,000 to over \$46,750.

(l) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$20,000 to over \$500,000.

(m) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$8,000 to over \$24,000. Married households filing separately pay the tax imposed on half the income.

(n) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$16,000 to \$500,000.

(o) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$21,250 to \$200,000. Lower exemption amounts allowed for high income taxpayers. Tax rate scheduled to decrease after tax year 2005.



<b>Appendix F. Property Tax Exemptions</b>	
<b>Category</b>	<b>Description</b>
Agricultural	Various exemptions (some limited) are available relating to farm structures, tools and machinery, livestock, produce, commercial fishing vessels and apparatus. Municipalities may adopt a number of optional additional exemptions in this category.
Charitable Organizations	Real and personal property owned by or held in trust for corporations organized exclusively for scientific, educational, literary, or a charitable purpose is exempt. The statutes also specifically exempt improvements to open-space land held by federally exempt organizations, religious institutions, hospitals, colleges, agricultural societies, veterans' organizations, and camps and recreation facilities owned by charitable institutions. Municipalities may provide an exemption to businesses offering day care services.
Disabled Persons and Senior Citizens	Property of totally disabled persons is exempt to the value of \$1,000. Municipalities may provide property tax relief to disabled persons and senior citizens not to exceed 10 percent of the total real property tax assessed. Property of blind residents is exempt in the amount of \$3,000. Municipalities may provide additional exemptions for blind persons. In addition, permanently and totally disabled persons and senior citizens are eligible for a homeowner's tax reduction or a renter's direct grant.
Property Tax Abatements based on Inability to Pay	<p>Municipalities may abate the property taxes due to an owner-occupied residential dwelling to the extent the taxes exceed 8 percent of the taxpayer's income. The owner must agree to reimburse the municipality for the amount of the taxes abated with 6 percent interest or a rate set by the municipality.</p> <p>In the year of a general revaluation, municipalities in which the effective tax rate on residential property exceeds 1.5 percent of market value may adopt a surcharge against all property classified as industrial, commercial, or public utility. The proceeds from the surcharge are to be used to fund the residential property tax credit.</p> <p>Municipalities may abate the taxes and interest on delinquent taxes that are assessed "upon such persons as are poor and unable to pay."</p> <p>Municipalities may also grant whole or partial abatements of taxes to corporations that are unable to pay the tax and have applied for a working capital loan from the federal government, if the taxes due constitute a bar to granting the loan.</p>
Governmental and Public Property	Property belonging to the federal government, the state of

<b>Appendix F. Property Tax Exemptions</b>	
<b>Category</b>	<b>Description</b>
	Connecticut, Native American reservations, municipalities, and cemeteries are exempt.
Manufacturing and Industrial Property, and Inventories	The monthly average quantity of goods of any manufacturing business is exempt. Manufacturer's machinery and equipment is exempt for the first five full assessment years following the assessment year. The monthly average quantity of goods of wholesale and retail businesses are exempt.
Fixed Assessments	Certain real and personal property may be subject to a fixed assessment for a period of time (i.e., delayed increase in assessment) negotiated by a taxpayer and a local legislative body, within statutory parameters.
Veterans and Military Personnel	Various property tax exemptions are available to veterans and active duty personnel. Additional exemptions are available to disabled veterans, and some exemptions are available to surviving family members of a deceased veteran. Various local option exemptions are also allowed.
Miscellaneous	Other abatements include household goods, certain commercial vehicles, nonmotorized vehicles, pollution control facilities, historic property, and partial exemption for businesses in an enterprise zone. Other municipal options include the abatement of: a portion of taxes for certain municipal volunteers; taxes on communications establishments and information technology, and sites subject to remediation.
Sources: Connecticut General Statutes; <i>Handbook for Connecticut Assessors</i> , The Connecticut Association of Assessing Officers, Inc, 2004.	

**Appendix G. Fiscal Year 05 and 06 Major State Grants to Municipalities**

Program	Statutory Reimbursement Rate	Fiscal Year 05			Fiscal Year 06		
		Amount Required by Statutory Formula (millions)	Estimated Expenditure (millions)	Actual Percent of Statutory Amount Reimbursed	Amount Required by Statutory Formula (millions)	Appropriation (millions)	Estimated Percent Reimbursement Rate
State Owned Property	100% for correctional facilities; 100% for towns with more than 50% of all property is state owned; 65% for Connecticut Valley Hospital; 145% for all other property	\$ 93.10	\$ 72.50	77.9%	\$ 100.20	\$ 78.00	77.8%
Private Colleges and Free Standing Chronic Disease Hospitals	77% of tax losses due to real property exemptions for eligible private colleges and general and free standing chronic disease hospitals	134.80	105.90	78.6%	141.00	111.20	78.9%
Electric Generation Facilities	100% 1 <sup>st</sup> year and 10% less each year	11.30	11.30	100.0%	9.30	9.30	100.0%
Distressed Municipalities	50% of revenue loss due to certain exemptions granted to qualified businesses	7.80	7.80	100.0%	7.80	7.80	100.0%
Manufacturing Machinery and Equipment and Commercial Vehicles	100% to 80% of revenue loss as a result of state mandated exemptions	59.70	50.70	84.9%	55.30	55.30	100.0%
Vessels	Each municipality receives an amount equal to property tax receipts for boats on its 1978 Grand List	2.30	2.30	100.0%	2.30	2.30	100.0%
Elderly/Disabled Freeze Program (Closed in 1978 to new applicants)	100% of revenue loss due to program	1.90	1.90	100.0%	1.40	1.40	100.0%
Elderly/ Disabled Circuit Breaker Program	100% of revenue loss due to program	20.50	20.50	100.0%	20.50	20.50	100.0%

**Appendix G. Fiscal Year 05 and 06 Major State Grants to Municipalities**

Program	Statutory Reimbursement Rate	Fiscal Year 05			Fiscal Year 06		
		Amount Required by Statutory Formula (millions)	Estimated Expenditure (millions)	Actual Percent of Statutory Amount Reimbursed	Amount Required by Statutory Formula (millions)	Appropriation (millions)	Estimated Percent Reimbursement Rate
Disabled Tax Relief Program	100% of revenue due to program	0.25	0.25	100.0%	0.53	0.53	100.0%
Veteran's Additional Exemption	100% of revenue loss due to program	2.90	2.90	100.0%	2.90	2.90	100.0%
<i>Sub-total PILOT</i>		\$ 334.55	\$ 276.05	82.5%	\$ 341.23	\$ 289.23	84.8%
Other Grant Programs							
Mashantucket Pequot /Mohegan Fund	Grant calculations depend on various statutory formulas	\$ 135.00	\$ 85.00	63.0%	\$ 135.00	\$ 86.20	63.9%
Education*	Various	1,984.66	1,890.76	95.0%	2,086.29	2,010.29	96.4%
Other (estimated)	Various	49.92	49.92	100.0%	57.89	57.89	100.0%
<i>Sub-total Other Grants</i>		\$2,169.58	\$ 2,025.68	93.4%	\$2,279.17	\$ 2,154.37	94.5%
<b>GRAND TOTAL</b>		<b>\$2,504.13</b>	<b>\$ 2,301.73</b>	<b>91.9%</b>	<b>\$2,620.90</b>	<b>\$ 2,443.60</b>	<b>93.3%</b>
* Only includes full funding of ECS, not other categorical grants that have been capped							
Source: OPM							

<b>APPENDIX H.</b> <b>DRS ITAS Project: Summary and Current Status (As of 12/05)</b>		
<b><i>PHASE 1 (A AND B):</i></b> <b><i>Business Taxes</i></b>	<b>Description/Status</b>	<b>Scheduled Time Frame</b>
Integrate automated administration of 40+ business taxes (sales and use, all excise, corporate income, etc.) with a single database and sharing of common functions including: <ul style="list-style-type: none"> <li>a) Registration</li> <li>b) Return processing</li> <li>c) Taxpayer accounting</li> <li>d) Revenue accounting</li> </ul>	System in place for all business taxes <ul style="list-style-type: none"> <li>• 200 desktop computers replaced with current technology</li> <li>• Registration in place for all business taxes</li> <li>• Return processing in place for all business taxes and supporting workflow capabilities also implemented</li> <li>• Taxpayer accounting in place for all business taxes</li> <li>• Revenue accounting (general ledger; interface with Core-CT) in place for all business taxes as well as Personal Income Tax</li> <li>• Real-time processing and immediate updating of taxpayer information available</li> <li>• <i>On-line help system in development</i></li> <li>• <i>Tool to develop/revise forms to be available</i></li> <li>• <i>Initial workflow and case management capabilities to be available</i></li> </ul> Legacy computer systems (MBDB business tax and WANG financial) for business taxes registration and processing and for agency revenue accounting retired	Operational Mid-2005 (Phase A Jan. 2004: Phase B June 2005)
Start data warehouse	Initial research support and discovery functions in place with data model capability	Est. Jan. 2006
Develop new taxpayer identification system and single location for all taxpayer information	Taxpayer identification system implemented; consolidated taxpayer information system started	Est. Dec. 2005-Jan 2006



<b><i>PHASE 2: Personal Income Tax (PIT)</i></b>	<b>Description/Status</b>	<b>Scheduled Time Frame</b>
Add PIT to system so single database for all taxes (business and PIT) and shared common functions including: a) Registration b) Return processing; c) Taxpayer accounting d) Revenue accounting (note: implemented for PIT in Phase 1)	One system with above administrative functions will be in place for all taxes plus: <ul style="list-style-type: none"> <li>• More timely PIT return processing (not as dependent on batching)</li> <li>• Another 200 desktop computers replaced with current technology</li> </ul> <p>Support will be provided for knowledge transfer to state information technology staff</p> <p>Legacy computer system for PIT administration (ITRP) will be retired</p>	Est. July 2006
Expand data warehouse to include PIT	PIT data will be directly incorporated from ITAS	Est. July 2006
Expand reporting, case management, and workflow capabilities to include PIT	PIT data will be included in these system capabilities	Est. July 2006
<b><i>PHASE 3: Internal Management</i></b>	<b>Description/Status</b>	<b>Scheduled Time Frame</b>
Integrate/automate auditing functions	On-line audit capability will be available as well as electronic audit selection, case tracking, and an auditor's "workbench" (secure field access via laptop to all taxpayer information)	Est. Jan. 2006
Automate legal and appellate processes	Staff will be able to track, adjust, and transfer cases electronically throughout appeals/legal process	Est. Jan. 2006
Enhance data warehouse	Improved support will be available for impact analysis, audit selection, compliance program performance, and source trend analysis	Est. Jan. 2006
Expand case management function	Complete history of all taxpayer interactions with DRS will be available electronically	Est. Jan. 2006
Expand workflow function	Re audit cases, system will electronically generate correspondence, include notes and reminders, and assign and transfer cases	Est. Jan. 2006

<b><i>PHASE 4: Customer Service and Internal Management</i></b>	<b>Description/Status</b>	<b>Scheduled Time Frame</b>
Implement electronic customer service system integrated with ITAS	Electronic “self-service” system will be available to taxpayers allowing: <ul style="list-style-type: none"> <li>• Automated access to transaction history and detail (payments, account balance, refund status, etc.)</li> <li>• Ability to register, change address, close account, etc.</li> <li>• Expanded filing and payment options</li> <li>• Secure “mailbox” communication with agency to exchange taxpayer specific information and documents</li> </ul>	Est. Sept. 2006
Enhance revenue collection and enforcement (C&E)	C&E system will be fully automated and integrated with ITAS (share all data), supporting <ul style="list-style-type: none"> <li>• C&amp;E case assignment, transfer and tracking and case processing through entire liability collection phase</li> <li>• Full C&amp;E workflow and case management capabilities (correspondence generation, etc.)</li> </ul> <p>Legacy C&amp;E computer system (CACS) will be retired</p>	Est. Sept. 2006
Integrate image retrieval into system	ITAS users will be able to navigate tax account and transaction data and instantaneously view related tax return images, facilitating problem resolution	Est. Sept. 2006
Implement knowledge base function	Public users will be able to access the agency website to submit tax questions and search on-line for tax information	Est. Sept. 2006

<b>Appendix I. Tax Rate Changes After Revaluation (2002-2004): Actual Rate vs. Level Spending Rate</b>									
<b>TOWN</b>	<b>YEAR OF REVAL</b>	<b>ASSESSED VALUE IN YEAR PRIOR TO REVAL ASSESSMENT</b>	<b>ASSESSED VALUE IN YEAR OF REVAL ASSESSMENT</b>	<b>% GROWTH IN ASSESSED VALUE</b>	<b>TAX RATE PRIOR TO REVAL</b>	<b>TAX LEVY</b>	<b>LEVEL SPENDING TAX RATE (based on same levy)</b>	<b>ACTUAL TAX RATE AFTER REVAL</b>	<b>DIFFERENCE BETWEEN ACTUAL AND LEVEL RATE</b>
Ansonia	2002	\$609,944,866	\$779,016,240	27.72%	36.30	\$22,140,999	28.42	29.40	3%
Ashford	2002	\$174,721,540	\$212,592,790	21.68%	34.50	\$6,027,893	28.35	29.00	2%
Avon	2003	\$1,665,355,100	\$2,068,527,315	24.21%	28.30	\$47,129,549	22.78	23.46	3%
Barkhamsted	2003	\$218,136,820	\$282,290,952	29.41%	32.20	\$7,024,006	24.88	26.10	5%
Berlin	2002	\$1,246,928,870	\$1,576,552,185	26.43%	31.40	\$39,153,567	24.83	25.30	2%
Bethany	2003	\$356,108,316	\$493,175,055	38.49%	32.93	\$11,726,647	23.78	25.66	8%
Bethel	2002	\$1,144,653,733	\$1,538,269,760	34.39%	31.44	\$35,987,913	23.40	24.55	5%
Bethlehem	2003	\$237,581,297	\$340,835,311	43.46%	28.71	\$6,820,959	20.01	19.10	-5%
Bloomfield	2004	\$1,140,850,451	\$1,657,388,341	45.28%	42.33	\$48,292,200	29.14	31.03	6%
Bolton	2003	\$274,403,920	\$374,675,710	36.54%	36.20	\$9,933,422	26.51	27.91	5%
Bozrah	2002	\$130,894,627	\$167,443,400	27.92%	24.00	\$3,141,471	18.76	20.50	9%
Branford	2002	\$2,038,883,517	\$2,722,638,500	33.54%	29.14	\$59,413,066	21.82	22.79	4%
Branford	2004	\$2,723,431,438	\$3,240,869,323	19.00%	23.94	\$65,198,949	20.12	20.97	4%
Bridgeport	2003	\$3,408,424,832	\$5,156,345,541	51.28%	55.20	\$188,145,051	36.49	38.99	7%
Bridgewater	2003	\$205,355,936	\$313,023,413	52.43%	26.00	\$5,339,254	17.06	17.50	3%
Bristol	2002	\$2,392,009,590	\$2,846,069,850	18.98%	32.25	\$77,142,309	27.10	30.93	14%
Brooklyn	2004	\$320,955,966	\$460,348,893	43.43%	27.34	\$8,774,936	19.06	19.90	4%
Burlington	2003	\$535,885,691	\$706,861,469	31.91%	31.50	\$16,880,399	23.88	25.50	7%
Canaan	2002	\$88,791,191	\$115,490,540	30.07%	31.25	\$2,774,725	24.03	26.50	10%
Canterbury	2004	215,575,751	\$325,397,091	50.94%	30.50	\$6,575,060	20.21	20.50	1%
Canton	2003	\$581,610,340	\$760,654,259	30.78%	34.02	\$19,786,384	26.01	27.66	6%
Chaplin	2003	\$86,597,060	\$119,231,580	37.69%	42.00	\$3,637,077	30.50	31.00	2%
Cheshire	2003	\$1,831,353,830	\$2,414,590,310	31.85%	33.70	\$61,716,624	25.56	25.75	1%
Chester	2003	\$290,360,432	\$399,730,828	37.67%	27.53	\$7,993,623	20.00	21.90	10%
Coventry	2004	\$603,867,285	\$804,282,550	33.19%	31.86	\$19,239,212	23.92	25.92	8%
Cromwell	2002	\$748,586,252	\$950,447,183	26.97%	30.84	\$23,086,400	24.29	26.30	8%
Danbury	2002	\$4,562,023,370	\$5,871,260,940	28.70%	25.24	\$115,145,470	19.61	24.29	24%
Darien	2003	\$4,252,685,985	\$6,222,450,581	46.32%	16.00	\$68,042,976	10.94	11.95	9%
East Granby	2003	\$365,307,293	\$459,899,869	25.89%	31.40	\$11,470,649	24.94	25.20	1%

<b>Appendix I. Tax Rate Changes After Revaluation (2002-2004): Actual Rate vs. Level Spending Rate</b>									
<b>TOWN</b>	<b>YEAR OF REVAL</b>	<b>ASSESSED VALUE IN YEAR PRIOR TO REVAL ASSESSMENT</b>	<b>ASSESSED VALUE IN YEAR OF REVAL ASSESSMENT</b>	<b>% GROWTH IN ASSESSED VALUE</b>	<b>TAX RATE PRIOR TO REVAL</b>	<b>TAX LEVY</b>	<b>LEVEL SPENDING TAX RATE (based on same levy)</b>	<b>ACTUAL TAX RATE AFTER REVAL</b>	<b>DIFFERENCE BETWEEN ACTUAL AND LEVEL RATE</b>
East Haddam	2002	\$469,062,872	\$635,436,107	35.47%	30.90	\$14,494,043	22.81	24.41	7%
East Windsor	2002	\$560,834,835	\$691,763,081	23.35%	29.58	\$16,589,494	23.98	24.70	3%
Eastford	2002	\$69,138,536	\$90,807,663	31.34%	35.90	\$2,482,073	27.33	28.30	4%
Easton	2002	\$777,448,040	\$1,204,116,720	54.88%	30.50	\$23,712,165	19.69	21.65	10%
Essex	2003	\$667,426,594	\$987,188,228	47.91%	20.00	\$13,348,532	13.52	14.90	10%
Farmington	2002	\$2,047,929,340	\$2,614,719,375	27.68%	26.50	\$54,270,128	20.76	21.90	6%
Franklin	2003	\$121,767,716	\$161,066,433	32.27%	26.30	\$3,202,491	19.88	20.63	4%
Glastonbury	2002	\$2,140,435,400	\$2,894,616,450	35.23%	36.70	\$78,553,979	27.14	28.75	6%
Goshen	2002	\$235,325,765	\$347,650,733	47.73%	24.50	\$5,765,481	16.58	20.00	21%
Granby	2002	\$583,589,640	\$761,567,540	30.50%	37.06	\$21,627,832	28.40	30.60	8%
Guilford	2002	\$1,498,123,896	\$2,422,011,365	61.67%	32.47	\$48,644,083	20.08	21.17	5%
Hampton	2003	\$81,934,822	\$115,399,164	40.84%	39.70	\$3,252,812	28.19	28.25	0%
Hartland	2002	\$120,106,000	\$143,955,010	19.86%	27.25	\$3,272,889	22.74	24.00	6%
Harwinton	2003	\$329,760,902	\$440,491,912	33.58%	31.90	\$10,519,373	23.88	24.2	1%
Kent	2003	\$318,433,304	\$446,447,826	40.20%	21.00	\$6,687,099	14.98	15.83	6%
Killingly	2002	\$600,541,272	\$749,110,175	24.74%	22.90	\$13,752,395	18.36	21.40	17%
Lebanon	2003	\$339,152,481	\$453,107,002	33.60%	27.40	\$9,292,778	20.51	23.30	14%
Litchfield	2003	\$639,354,526	\$834,707,126	30.55%	27.37	\$17,499,133	20.96	21.40	2%
Lyme	2003	\$282,376,765	\$491,801,071	74.16%	19.00	\$5,365,159	10.91	12.40	14%
Madison	2002	\$1,493,448,440	\$2,366,043,283	58.43%	27.71	\$41,383,456	17.49	19.11	9%
Mansfield	2004	\$575,989,725	\$865,549,574	50.27%	30.63	\$17,642,565	20.38	22.01	8%
Middletown	2002	\$2,058,166,070	\$2,540,320,710	23.43%	31.20	\$64,214,781	25.28	27.30	8%
Monroe	2003	\$1,433,022,598	\$2,008,684,515	40.17%	30.58	\$43,821,831	21.82	22.88	5%
Morris	2004	\$226,148,631	\$327,024,606	44.61%	27.46	\$6,210,041	18.99	19.90	5%
Naugatuck	2002	\$1,163,197,160	\$1,360,378,140	16.95%	35.50	\$41,293,499	30.35	33.00	9%
New Britain	2002	\$1,518,115,151	\$2,072,027,757	36.49%	54.76	\$83,131,986	40.12	46.93	17%
New Canaan	2003	\$5,543,867,740	\$6,560,018,770	18.33%	13.99	\$77,558,710	11.82	12.66	7%
New Fairfield	2004	\$1,139,968,100	\$1,805,374,885	58.37%	28.75	\$32,774,083	18.15	19.07	5%
New Hartford	2003	\$408,651,064	\$539,116,504	31.93%	32.40	\$13,240,294	24.56	26.10	6%

<b>Appendix I. Tax Rate Changes After Revaluation (2002-2004): Actual Rate vs. Level Spending Rate</b>									
<b>TOWN</b>	<b>YEAR OF REVAL</b>	<b>ASSESSED VALUE IN YEAR PRIOR TO REVAL ASSESSMENT</b>	<b>ASSESSED VALUE IN YEAR OF REVAL ASSESSMENT</b>	<b>% GROWTH IN ASSESSED VALUE</b>	<b>TAX RATE PRIOR TO REVAL</b>	<b>TAX LEVY</b>	<b>LEVEL SPENDING TAX RATE (based on same levy)</b>	<b>ACTUAL TAX RATE AFTER REVAL</b>	<b>DIFFERENCE BETWEEN ACTUAL AND LEVEL RATE</b>
New London	2003	\$853,428,402	\$1,257,260,090	47.32%	35.40	\$30,211,365	24.03	25.34	5%
Newtown	2002	\$1,834,210,903	\$2,795,791,878	52.42%	33.80	\$61,996,329	22.17	23.40	6%
Norfolk	2003	\$165,446,287	\$199,651,892	20.67%	28.26	\$4,675,512	23.42	24.82	6%
North Canaan	2002	\$202,629,480	\$237,368,280	17.14%	24.80	\$5,025,211	21.17	22.80	8%
Norwalk	2003	\$6,521,758,664	\$10,040,939,406	53.96%	28.97	\$188,935,348	18.82	26.41	40%
Norwich	2003	\$1,166,095,643	\$1,745,510,827	49.69%	36.77	\$42,877,337	24.56	25.69	5%
Old Lyme	2004	\$908,273,130	\$1,470,628,390	61.91%	25.50	\$23,160,965	15.75	16.60	5%
Old Saybrook	2003	\$1,109,642,467	\$1,853,824,563	67.07%	21.57	\$23,934,988	12.91	13.80	7%
Plainfield	2002	\$499,672,829	\$627,415,393	25.57%	27.40	\$13,691,036	21.82	22.70	4%
Pomfret	2004	\$216,020,072	\$324,646,550	50.29%	26.24	\$5,668,367	17.46	18.22	4%
Preston	2002	\$213,096,731	\$262,885,656	23.36%	24.00	\$5,114,322	19.45	21.85	12%
Putnam	2003	\$339,056,462	\$463,862,230	36.81%	17.25	\$5,848,724	12.61	14.35	14%
Redding	2002	\$994,598,609	\$1,397,759,855	40.54%	29.00	\$28,843,360	20.64	21.25	3%
Ridgefield	2002	\$2,715,899,539	\$4,010,804,099	47.68%	27.58	\$74,904,509	18.68	20.77	11%
Rocky Hill	2003	\$1,233,515,550	\$1,542,838,700	25.08%	29.30	\$36,142,006	23.43	25.80	10%
Roxbury	2002	\$303,437,720	\$469,709,305	54.80%	20.20	\$6,129,442	13.05	15.40	18%
Scotland	2003	\$70,586,377	\$89,308,157	26.52%	36.10	\$2,548,168	28.53	31.47	10%
Sharon	2003	\$391,410,792	\$518,775,238	32.54%	17.00	\$6,653,983	12.83	13.75	7%
Sherman	2003	\$406,011,080	\$633,164,196	55.95%	21.00	\$8,526,233	13.47	14.00	4%
Simsbury	2002	\$1,509,361,938	\$1,929,367,631	27.83%	39.10	\$59,016,052	30.59	32.60	7%
Somers	2004	\$485,595,523	\$728,720,714	50.07%	28.56	\$13,868,608	19.03	20.25	6%
South Windsor	2002	\$1,436,998,902	\$1,936,669,777	34.77%	37.55	\$53,959,309	27.86	29.79	7%
Southbury	2002	\$1,502,395,442	\$1,951,940,804	29.92%	24.60	\$36,958,928	18.93	21.00	11%
Sprague	2004	\$117,191,211	\$192,996,426	64.69%	30.50	\$3,574,332	18.52	23.50	27%
Sterling	2002	\$126,584,521	\$153,683,206	21.41%	27.50	\$3,481,074	22.65	24.25	7%
Stonington	2002	\$1,259,670,730	\$1,983,800,207	57.49%	27.46	\$34,590,558	17.44	18.40	6%
Stratford	2004	\$3,166,375,505	\$4,489,705,918	41.79%	36.99	\$117,124,230	26.09	36.37	39%
Suffield	2003	\$771,945,704	\$1,018,776,683	31.98%	29.99	\$23,150,652	22.72	23.61	4%
Thompson	2004	\$385,639,167	\$629,310,971	63.19%	24.63	\$9,498,293	15.09	15.91	5%



### Appendix I. Tax Rate Changes After Revaluation (2002-2004): Actual Rate vs. Level Spending Rate

TOWN	YEAR OF REVAL	ASSESSED VALUE IN YEAR PRIOR TO REVAL ASSESSMENT	ASSESSED VALUE IN YEAR OF REVAL ASSESSMENT	% GROWTH IN ASSESSED VALUE	TAX RATE PRIOR TO REVAL	TAX LEVY	LEVEL SPENDING TAX RATE (based on same levy)	ACTUAL TAX RATE AFTER REVAL	DIFFERENCE BETWEEN ACTUAL AND LEVEL RATE
Tolland	2004	\$826,701,388	\$1,143,189,688	38.28%	35.40	\$29,265,229	25.60	27.22	6%
Torrington	2003	\$1,469,470,368	\$1,824,809,737	24.18%	38.28	\$56,251,326	30.83	32.28	5%
Union	2003	\$48,935,354	\$63,580,519	29.93%	27.74	\$1,357,467	21.35	22.66	6%
Warren	2002	\$125,813,119	\$187,365,757	48.92%	23.00	\$2,893,702	15.44	17.72	15%
Washington	2003	\$620,740,760	\$915,387,180	47.47%	16.00	\$9,931,852	10.85	11.00	1%
Waterbury	2002	\$3,267,706,362	\$3,383,320,528	3.54%	54.86	\$179,266,371	52.99	53.31	1%
Waterford	2002	\$1,923,356,520	\$2,497,963,250	29.88%	18.46	\$35,505,161	14.21	16.98	19%
Watertown	2003	\$1,211,043,710	\$1,562,270,164	29.00%	25.91	\$31,378,143	20.08	20.37	1%
Weston	2003	\$1,779,821,750	\$2,361,590,016	32.69%	25.00	\$44,495,544	18.84	20.25	7%
Wethersfield	2003	\$1,459,967,040	\$1,962,287,820	34.41%	34.86	\$50,894,451	25.94	28.35	9%
Willington	2003	\$295,322,996	\$371,825,690	25.90%	28.80	\$8,505,302	22.87	24.77	8%
Wilton	2002	\$2,179,622,760	\$3,602,476,200	65.28%	29.94	\$65,257,905	18.11	20.10	11%
Winchester	2002	\$443,175,289	\$569,484,675	28.50%	35.58	\$15,768,177	27.69	30.12	9%
Windsor	2003	\$1,836,550,760	\$2,256,457,170	22.86%	33.57	\$61,653,009	27.32	28.63	5%
Windsor Locks	2003	\$876,573,597	\$1,114,426,797	27.13%	24.00	\$21,037,766	18.88	20.69	10%
Woodbridge	2004	\$890,206,260	\$1,177,158,808	32.23%	35.58	\$31,673,539	26.91	28.22	5%
Woodbury	2003	\$714,895,717	\$972,895,463	36.09%	27.25	\$19,480,908	20.02	21.42	7%
TOTAL/AVERAGE		\$110,771,055,814	\$151,234,468,008	36.53%	30.39	\$3,366,069,066	22.26	23.75	7%

Source: OPM and LPR&IC calculations

### Appendix J: Options for Redistributing Sales Tax to Municipalities

Municipality	Option C: Redistribution of the Sales Tax		
	#1 Distressed Municipalities	#2 Top 10	#3 Top 10 (minus auto sales)
Berlin	n/a	\$8,536,083.33	\$8,088,806.57
Bridgeport	\$10,289,616.67	\$10,289,616.67	\$9,310,420.59
Danbury	n/a	\$18,256,933.33	\$17,991,007.30
East Hartford	\$7,054,183.33	n/a	n/a
Greenwich	n/a	\$11,340,266.67	\$11,080,808.87
Hartford	\$22,960,233.33	\$22,960,233.33	\$20,384,014.75
Manchester	n/a	\$14,111,483.33	\$12,358,118.27
Meriden	\$4,484,933.33	n/a	n/a
New Britain	\$4,805,816.67	n/a	n/a
New Haven	\$23,121,916.67	\$23,121,916.67	\$21,648,473.09
New London	\$3,819,066.67	n/a	n/a
North Haven	n/a	\$12,554,733.33	\$12,372,140.40
Norwalk	n/a	\$14,614,300.00	\$13,813,308.39
Stamford	n/a	\$18,917,650.00	\$17,533,832.63
Waterbury	\$7,715,816.67	n/a	n/a
West Haven	\$3,601,583.33	n/a	n/a
Winchester	\$533,266.67	n/a	n/a
<b>Total</b>	<b>\$88,386,433.33</b>	<b>\$154,703,216.67</b>	<b>\$144,580,930.85</b>

#4 Planning Region	1% of 2002 Sales Tax Collections
Capitol Region	\$93,038,183.33
Central CT	\$23,731,700.00
Council of Government of the Central Naugatuck Valley	\$18,225,483.33
CT River Estuary	\$5,822,883.33
Greater Bridgeport	\$26,760,383.33
Housatonic	\$29,127,713.89
Litchfield	\$6,078,883.33
Midstate	\$7,761,533.33
Northeastern CT	\$4,031,716.16
Northwestern CT	\$2,223,316.67
South Central CT	\$75,199,100.00
Southeastern CT	\$24,915,916.67
South Western	\$59,869,016.67
Valley	\$12,882,333.33
Windham	\$3,056,583.33
Unidentified (Stafford)	\$1,551,766.67
<b>Total</b>	<b>\$394,276,513.89</b>

## Appendix K. Supporting Data Regarding Reliable Principle

<b>Table K-1. State Revenue Volatility: Northeast States and U.S. Average, 1992-2004</b>		
	<b>Average Annual Growth</b>	<b>Standard Deviation</b>
<b>Actual State Revenues</b>		
Connecticut	4.7%	5.8
Maine	4.8%	4.9
Massachusetts	4.6%	6.2
New Hampshire*	7.3%	17.9
New Jersey	4.3%	4.1
New York	3.6%	4.1
Rhode Island	5.3%	4.4
Vermont*	7.8%	12.5
<i><b>U.S. Average</b></i>	<i>5.0%</i>	<i>3.4</i>
<i><b>Conn. Adjusted Revenues</b></i>	<i>4.9%</i>	<i>4.1</i>
<i><b>Conn. Personal Income</b></i>	<i>4.7%</i>	<i>2.6</i>
<i><b>U.S. Personal Income</b></i>	<i>5.2%</i>	<i>1.7</i>
Source of Data: U.S. Census  * Much of the extreme volatility shown for these two states is related to major changes made in each state's tax structure in response to education funding litigation (New Hampshire in 2000 and Vermont in 1999).		

<b>Table K-2. State Revenue and Expenditure Estimates: FY 06 – FY 10 (dollars in thousands)</b>					
	<b>Estimated FY 06</b>	<b>Enacted FY 07</b>	<b>Projected</b>		
			<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>
<b>Expenditures</b>					
General Fund	\$ 14,152.5	\$ 14,745.2	\$ 15,884.3	\$ 16,440.8	\$ 17,119.8
All Approp. Funds	\$ 15,307.4	\$ 15,938.7	\$17,167.9	\$ 17,752.1	\$ 18,462.4
<b>Appropriations Allowed Under Cap</b>	\$ 15,307.4	\$ 15,974.2	\$ 16,757.7	\$ 17,451.5	\$18,306.8
<b>Difference Between All Expenditures and Allowed Approp.</b>	-	\$ (35.5)	\$ 410.2	\$ 300.6	\$ 155.6
<b>Projected Revenue</b>	\$15,616.9	\$ 16,168.3	\$ 16,549.1	\$ 17,054.2	\$17,600.5
<b>Revenue Less All Expenditures</b>	\$ 309.5	\$ 229.6	\$ (618.8)	\$ (697.9)	\$ (861.9)
<b>Revenue less Allowed Approp.</b>	\$ 309.5	\$ 229.6	\$ (208.6)	\$ (397.3)	\$ (706.3)
Source of Data: OPM Fiscal Accountability Report, Nov. 15, 2005					

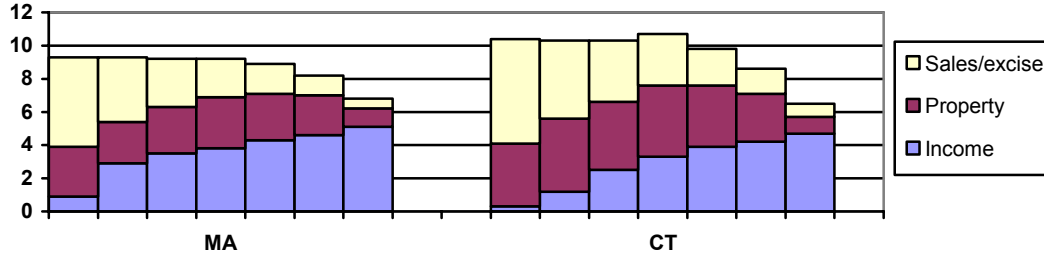
**Table K-3. Trends in General Fund Spending: Major Accounts: FY 00 – FY 05**

	<b>FY 00 Expenditures (Actual)</b>	<b>FY 05 Expenditures (Estimated)</b>	<b>Pct. Of Total FY 05 GF Expenditures</b>	<b>Avg. Annual Pct. Change FY 00 – FY 05</b>	<b>Cumulative Pct. Change FY 00 – FY 05</b>
<b>Top 10 Major Accounts</b>					
Medicaid	\$ 2,216,789,087	\$ 2,935,009,160	21.8%	5.8%	28.9%
Personal Services	\$ 1,657,435,900	\$ 2,001,914,416	14.9%	3.9%	19.7%
ECS Grant	\$ 1,347,876,789	\$ 1,562,870,000	11.6%	3.0%	15.1%
Debt Service	\$ 926,365,462	\$ 1,311,153,785	9.7%	7.4%	37.0%
Other Expenses	\$ 374,746,949	\$ 461,234,262	3.4%	4.3%	21.6%
Retired State Employee Health Services Cost	\$ 171,851,285	\$ 377,871,900	2.8%	17.5%	87.7%
State Employee Health Services Cost	\$ 270,857,328	\$ 374,404,787	2.8%	7.6%	37.8%
State Employee Retirement Contributions	\$ 212,947,331	\$ 354,400,568	2.6%	10.9%	54.6%
DCF Board and Care	\$ 194,442,933	\$ 297,675,800	2.2%	9.0%	44.8%
DMR Community Residential Services	\$ 202,123,783	\$ 264,990,950	2.0%	5.6%	28.0%
All Major GF Accounts (51)	\$ 10,139,108,481	\$ 12,775,632,606	94.9%	4.7%	23.7%
All GF Accounts (750)	\$ 11,184,367,722	\$ 13,464,301,582	100.0%	3.8%	19.1%
	<b>Actual FY 00</b>	<b>Est. FY 05</b>			
Total GF Revenue	\$ 8,986,306,827	\$ 10,155,100,000		2.7%	13.4%
CT Personal Income	\$ 141,570,257,000	\$ 168,095,000,000		3.5%	17.6%
Inflation (CPI-U)	3.4%	3.5%		2.7%	16.1%

Sources of Data: OFA; U.S. BEA; U.S. BLS

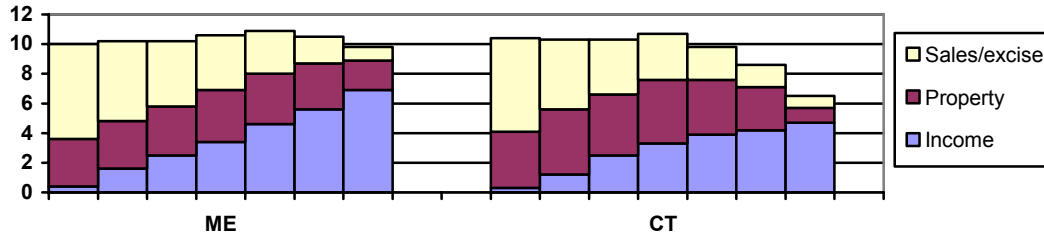
## Appendix L: Tax Burden Comparison Among the Northeastern States

**Figure L-1. Tax Burden Among Income Groups 2002: Mass. and Connecticut**



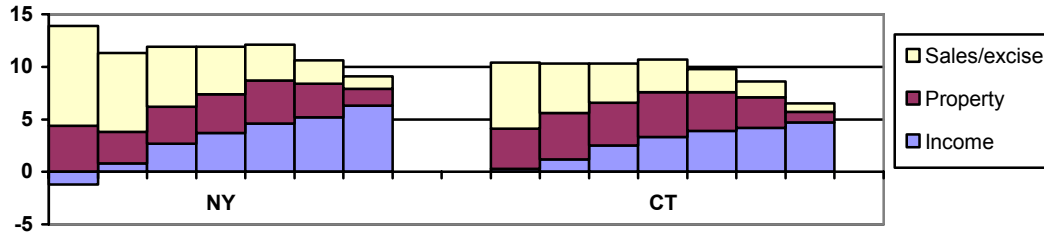
Source of Data: ITEP "Who Pays," January 2003

**Figure L-2. Tax Burden Among Income Groups 2002: Maine and Connecticut**



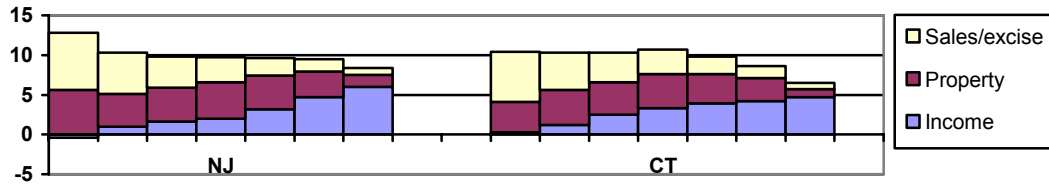
Source of Data: ITEP "Who Pays," January 2003

**Figure L-3. Tax Burden Among Income Groups 2002: New York and Connecticut**



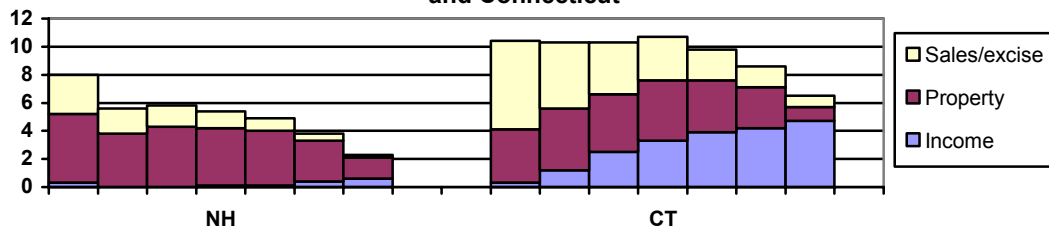
Source of Data: ITEP "Who Pays," January 2003

**Figure L-4. Tax Burden Among Income Groups 2002: New Jersey and Connecticut**



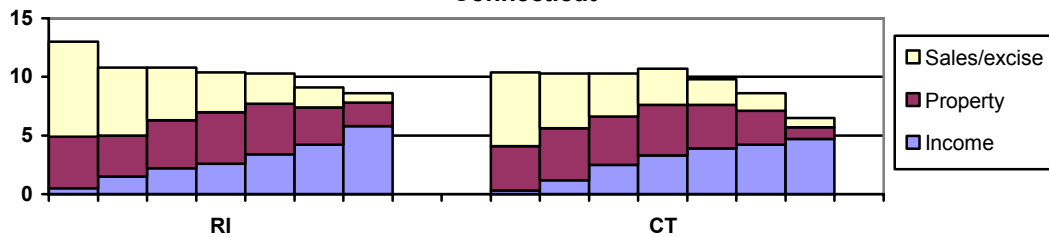
Source of Data: ITEP "Who Pays," January 2003

**Figure L-5. Tax Burden Among Income Groups 2002: New Hampshire and Connecticut**



Source of Data: ITEP "Who Pays," January 2003

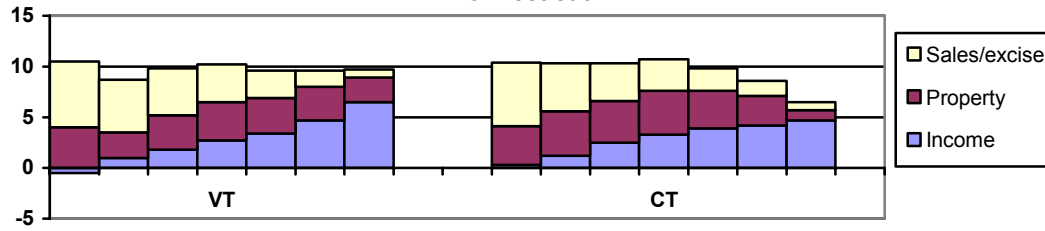
**Figure L-6. Tax Burden Among Income Groups 2002: Rhode Island and Connecticut**



Source of Data: ITEP "Who Pays," January 2003



**Figure L-7. Tax Burden Among Income Groups 2002: Vermont and Connecticut**



Source of Data: ITEP "Who Pays," January 2003

<b>Appendix M. Motor Vehicle Property Tax at Statewide Median Rate and at Revenue Neutral Rate</b>							
<b>TOWN</b>	<b>NET TOTAL ASSESSED VALUE of MOTOR VEHICLES</b>	<b>MILL RATE</b>	<b>CURRENT TOTAL MOTOR VEHICLE TAX</b>	<b>NET TAX AT MEDIAN (approx. \$27.00 mills)</b>	<b>TAX LOSS /GAIN IF TAXED AT MEDIAN</b>	<b>NET TAX AT REVENUE NEUTRAL RATE (approx. \$29.45 mills)</b>	<b>TAX LOSS/GAIN IF TAXED AT REVENUE NEUTRAL RATE</b>
Washington	\$36,359,881	11.0000	\$399,959	\$981,637	\$581,678	\$1,070,798	\$670,840
Greenwich	\$670,247,880	11.5100	\$7,714,553	\$18,095,218	\$10,380,665	\$19,738,800	\$12,024,247
Lyme	\$18,874,218	13.0000	\$245,365	\$509,562	\$264,198	\$555,846	\$310,481
Darien	\$209,324,213	13.0200	\$2,725,401	\$5,651,293	\$2,925,892	\$6,164,949	\$3,439,548
New Canaan	\$230,323,400	13.3890	\$3,083,800	\$6,218,225	\$3,134,425	\$6,783,410	\$3,699,610
Sharon	\$23,970,370	14.2000	\$340,379	\$647,147	\$306,768	\$705,968	\$365,588
Sherman	\$32,330,850	14.5000	\$468,797	\$872,862	\$404,064	\$952,198	\$483,400
Old Saybrook	\$83,032,142	14.6000	\$1,212,269	\$2,241,685	\$1,029,416	\$2,445,436	\$1,233,167
Salisbury	\$31,436,100	15.3000	\$480,972	\$848,706	\$367,733	\$925,846	\$444,874
Roxbury	\$25,850,189	15.4000	\$398,093	\$697,898	\$299,805	\$761,331	\$363,238
Essex	\$56,700,526	15.5000	\$878,858	\$1,530,789	\$651,931	\$1,669,926	\$791,067
Thompson	\$56,618,495	15.9100	\$900,800	\$1,528,575	\$627,775	\$1,667,510	\$766,709
Old Lyme	\$64,161,537	16.6000	\$1,065,082	\$1,732,220	\$667,139	\$1,889,665	\$824,583
Kent	\$21,755,907	16.9800	\$369,415	\$587,362	\$217,946	\$640,748	\$271,333
Pomfret	\$19,621,829	18.2200	\$357,510	\$529,746	\$172,236	\$577,896	\$220,386
Bridgewater	\$16,951,317	18.5000	\$313,599	\$457,648	\$144,049	\$499,245	\$185,645
Warren	\$7,905,370	18.7200	\$147,989	\$213,428	\$65,439	\$232,826	\$84,838
Waterford	\$136,199,290	18.8400	\$2,565,995	\$3,677,081	\$1,111,087	\$4,011,297	\$1,445,303
New Fairfield	\$101,444,767	19.0700	\$1,934,552	\$2,738,786	\$804,234	\$2,987,718	\$1,053,167
Brooklyn	\$43,958,575	19.9000	\$874,776	\$1,186,785	\$312,009	\$1,294,654	\$419,878
Morris	\$16,517,275	19.9000	\$328,694	\$445,930	\$117,236	\$486,461	\$157,768
Stonington	\$115,931,800	20.2200	\$2,344,141	\$3,129,904	\$785,763	\$3,414,386	\$1,070,245
Somers	\$63,632,220	20.2500	\$1,288,552	\$1,717,930	\$429,377	\$1,874,076	\$585,523
Canterbury	\$33,781,675	20.5000	\$692,524	\$912,031	\$219,507	\$994,927	\$302,403
Bethlehem	\$27,522,196	20.5600	\$565,856	\$743,039	\$177,182	\$810,575	\$244,718
Branford	\$199,530,637	20.9700	\$4,184,157	\$5,386,888	\$1,202,731	\$5,876,512	\$1,692,354
Lisbon	\$26,038,199	21.0000	\$546,802	\$702,974	\$156,172	\$766,869	\$220,066
Goshen	\$23,208,174	21.2000	\$492,013	\$626,570	\$134,556	\$683,520	\$191,506
Madison	\$140,980,080	21.2300	\$2,993,007	\$3,806,152	\$813,145	\$4,152,100	\$1,159,093
Westport	\$288,738,534	21.3000	\$6,150,131	\$7,795,305	\$1,645,174	\$8,503,834	\$2,353,703
Watertown	\$141,309,843	21.3500	\$3,016,965	\$3,815,055	\$798,090	\$4,161,812	\$1,144,847
Woodbury	\$80,317,184	21.4200	\$1,720,394	\$2,168,387	\$447,993	\$2,365,476	\$645,082
Westbrook	\$46,482,091	21.4300	\$996,111	\$1,254,914	\$258,803	\$1,368,976	\$372,864
Putnam	\$45,067,820	21.4500	\$966,705	\$1,216,732	\$250,027	\$1,327,323	\$360,618
Cornwall	\$13,695,840	21.8000	\$298,569	\$369,758	\$71,188	\$403,365	\$104,796
Mansfield	\$65,485,275	22.0100	\$1,441,331	\$1,767,958	\$326,627	\$1,928,651	\$487,320
Weston	\$112,810,727	22.0500	\$2,487,477	\$3,045,641	\$558,165	\$3,322,465	\$834,989
Chester	\$26,296,888	22.1200	\$581,687	\$709,958	\$128,271	\$774,487	\$192,800
Guilford	\$162,461,180	22.2700	\$3,618,010	\$4,386,094	\$768,084	\$4,784,754	\$1,166,744
Windsor Locks	\$149,397,584	22.4000	\$3,346,506	\$4,033,406	\$686,900	\$4,400,009	\$1,053,503

<b>Appendix M. Motor Vehicle Property Tax at Statewide Median Rate and at Revenue Neutral Rate</b>							
<b>TOWN</b>	<b>NET TOTAL ASSESSED VALUE of MOTOR VEHICLES</b>	<b>MILL RATE</b>	<b>CURRENT TOTAL MOTOR VEHICLE TAX</b>	<b>NET TAX AT MEDIAN (approx. \$27.00 mills)</b>	<b>TAX LOSS /GAIN IF TAXED AT MEDIAN</b>	<b>NET TAX AT REVENUE NEUTRAL RATE (approx. \$29.45 mills)</b>	<b>TAX LOSS/GAIN IF TAXED AT REVENUE NEUTRAL RATE</b>
Wilton	\$181,685,553	22.5500	\$4,097,009	\$4,905,110	\$808,101	\$5,350,944	\$1,253,935
Redding	\$86,334,680	22.7400	\$1,963,251	\$2,330,846	\$367,596	\$2,542,701	\$579,450
Litchfield	\$56,515,960	22.9000	\$1,294,215	\$1,525,807	\$231,591	\$1,664,490	\$370,274
Groton	\$188,622,787	22.9500	\$4,328,893	\$5,092,400	\$763,507	\$5,555,257	\$1,226,364
Danbury	\$441,367,645	23.0300	\$10,164,697	\$11,915,955	\$1,751,259	\$12,999,017	\$2,834,320
Franklin	\$15,674,470	23.1300	\$362,550	\$423,176	\$60,626	\$461,639	\$99,089
Ridgefield	\$223,539,593	23.4200	\$5,235,297	\$6,035,077	\$799,780	\$6,583,616	\$1,348,319
Union	\$5,322,440	23.4300	\$124,705	\$143,694	\$18,989	\$156,755	\$32,050
Bozrah	\$20,895,853	23.5000	\$491,053	\$564,142	\$73,090	\$615,418	\$124,365
Sprague	\$14,092,228	23.5000	\$331,167	\$380,459	\$49,292	\$415,040	\$83,872
Shelton	\$266,041,202	23.5900	\$6,275,912	\$7,182,527	\$906,615	\$7,835,359	\$1,559,447
Brookfield	\$129,659,590	23.9000	\$3,098,864	\$3,500,524	\$401,659	\$3,818,692	\$719,828
Southbury	\$138,334,213	23.9000	\$3,306,188	\$3,734,719	\$428,532	\$4,074,174	\$767,987
Monroe	\$146,849,368	24.0500	\$3,531,727	\$3,964,610	\$432,883	\$4,324,960	\$793,233
Avon	\$149,077,270	24.1600	\$3,601,707	\$4,024,758	\$423,051	\$4,390,576	\$788,869
Harwinton	\$40,305,400	24.2000	\$975,391	\$1,088,157	\$112,766	\$1,187,062	\$211,671
Lebanon	\$44,831,337	24.2000	\$1,084,918	\$1,210,347	\$125,429	\$1,320,358	\$235,440
Farmington	\$191,391,795	24.2700	\$4,645,079	\$5,167,157	\$522,079	\$5,636,809	\$991,730
North Canaan	\$7,833,142	24.4000	\$191,129	\$211,478	\$20,349	\$230,699	\$39,570
Suffield	\$88,629,390	24.4300	\$2,165,216	\$2,392,799	\$227,583	\$2,610,284	\$445,068
Fairfield	\$423,802,812	24.8000	\$10,510,310	\$11,441,744	\$931,434	\$12,481,703	\$1,971,394
Killingly	\$85,102,086	25.0000	\$2,127,552	\$2,297,569	\$170,017	\$2,506,399	\$378,847
Easton	\$71,844,023	25.1200	\$1,804,722	\$1,939,631	\$134,909	\$2,115,927	\$311,205
Norwalk	\$513,900,101	25.2100	\$12,955,422	\$13,874,172	\$918,751	\$15,135,220	\$2,179,798
Willington	\$35,055,420	25.5100	\$894,264	\$946,419	\$52,155	\$1,032,441	\$138,177
Preston	\$31,191,922	25.7000	\$801,632	\$842,113	\$40,481	\$918,654	\$117,022
Norfolk	\$13,536,286	25.8000	\$349,236	\$365,450	\$16,214	\$398,666	\$49,430
Rocky Hill	\$163,859,530	25.8000	\$4,227,576	\$4,423,847	\$196,271	\$4,825,938	\$598,362
Coventry	\$72,670,482	25.9200	\$1,883,619	\$1,961,943	\$78,324	\$2,140,268	\$256,649
Plainfield	\$76,486,725	25.9400	\$1,984,066	\$2,064,973	\$80,908	\$2,252,662	\$268,597
East Granby	\$41,885,546	26.0000	\$1,089,024	\$1,130,818	\$41,793	\$1,233,600	\$144,575
Woodstock	\$42,642,403	26.0000	\$1,108,702	\$1,151,251	\$42,549	\$1,255,890	\$147,188
Barkhamsted	\$24,660,600	26.1000	\$643,642	\$665,782	\$22,140	\$726,296	\$82,654
Newtown	\$202,889,529	26.1000	\$5,295,417	\$5,477,571	\$182,154	\$5,975,437	\$680,020
East Haddam	\$58,984,770	26.2800	\$1,550,120	\$1,592,459	\$42,339	\$1,737,200	\$187,081
Bethel	\$119,597,530	26.4800	\$3,166,943	\$3,228,870	\$61,928	\$3,522,348	\$355,405
Hartland	\$9,362,305	26.5000	\$248,101	\$252,762	\$4,661	\$275,736	\$27,634
New Hartford	\$43,699,300	26.5000	\$1,158,031	\$1,179,785	\$21,754	\$1,287,018	\$128,986
Wallingford	\$283,305,781	26.6000	\$7,535,934	\$7,648,633	\$112,699	\$8,343,830	\$807,896
Killingworth	\$46,048,899	26.6300	\$1,226,282	\$1,243,219	\$16,937	\$1,356,217	\$129,935

<b>Appendix M. Motor Vehicle Property Tax at Statewide Median Rate and at Revenue Neutral Rate</b>							
<b>TOWN</b>	<b>NET TOTAL ASSESSED VALUE of MOTOR VEHICLES</b>	<b>MILL RATE</b>	<b>CURRENT TOTAL MOTOR VEHICLE TAX</b>	<b>NET TAX AT MEDIAN (approx. \$27.00 mills)</b>	<b>TAX LOSS /GAIN IF TAXED AT MEDIAN</b>	<b>NET TAX AT REVENUE NEUTRAL RATE (approx. \$29.45 mills)</b>	<b>TAX LOSS/GAIN IF TAXED AT REVENUE NEUTRAL RATE</b>
Cheshire	\$202,445,169	26.6500	\$5,395,164	\$5,465,574	\$70,410	\$5,962,350	\$567,186
Norwich	\$165,441,230	26.7200	\$4,420,590	\$4,466,549	\$45,960	\$4,872,522	\$451,932
East Lyme	\$105,194,731	26.8410	\$2,823,532	\$2,840,026	\$16,495	\$3,098,161	\$274,629
Stratford	\$275,848,994	26.9800	\$7,442,406	\$7,447,316	\$4,910	\$8,124,215	\$681,809
<b>East Windsor</b>	<b>\$76,113,086</b>	<b>26.9978</b>	<b>\$2,054,886</b>	<b>\$2,054,886</b>	<b>\$0</b>	<b>\$2,241,658</b>	<b>\$186,772</b>
Burlington	\$62,246,252	27.0000	\$1,680,649	\$1,680,512	-\$137	\$1,833,256	\$152,608
New Milford	\$189,253,005	27.1100	\$5,130,649	\$5,109,415	-\$21,234	\$5,573,818	\$443,169
Bethany	\$38,401,690	27.1200	\$1,041,454	\$1,036,761	-\$4,693	\$1,130,994	\$89,540
Tolland	\$91,188,208	27.2200	\$2,482,143	\$2,461,881	-\$20,262	\$2,685,646	\$203,503
Oxford	\$82,830,499	27.6900	\$2,293,577	\$2,236,241	-\$57,335	\$2,439,497	\$145,921
Canton	\$68,321,120	27.8400	\$1,902,060	\$1,844,520	-\$57,540	\$2,012,172	\$110,112
Windham	\$84,148,040	27.8700	\$2,345,206	\$2,271,812	-\$73,394	\$2,478,301	\$133,095
Woodbridge	\$75,883,074	28.2200	\$2,141,420	\$2,048,676	-\$92,744	\$2,234,884	\$93,463
Deep River	\$27,483,966	28.2500	\$776,422	\$742,007	-\$34,415	\$809,449	\$33,027
Griswold	\$59,059,781	28.2500	\$1,668,439	\$1,594,484	-\$73,955	\$1,739,410	\$70,971
Berlin	\$139,540,655	28.4000	\$3,962,955	\$3,767,291	-\$195,664	\$4,109,706	\$146,752
Windsor	\$169,067,167	28.7300	\$4,857,300	\$4,564,442	-\$292,858	\$4,979,312	\$122,012
Montville	\$106,665,029	29.1000	\$3,103,952	\$2,879,721	-\$224,231	\$3,141,464	\$37,512
Hampton	\$11,477,350	29.2500	\$335,712	\$309,863	-\$25,849	\$338,027	\$2,315
Bolton	\$32,353,940	29.3000	\$947,970	\$873,485	-\$74,485	\$952,878	\$4,907
Southington	\$275,233,634	29.4300	\$8,100,126	\$7,430,703	-\$669,423	\$8,106,092	\$5,966
Canaan	\$7,400,130	29.5000	\$218,304	\$199,787	-\$18,517	\$217,946	-\$358
Cromwell	\$80,517,433	29.6000	\$2,383,316	\$2,173,794	-\$209,522	\$2,371,373	-\$11,943
Voluntown	\$12,242,980	29.6500	\$363,004	\$330,534	-\$32,471	\$360,576	-\$2,428
Columbia	\$38,230,219	29.8000	\$1,139,261	\$1,032,132	-\$107,129	\$1,125,944	-\$13,316
Middletown	\$233,752,390	29.8000	\$6,965,821	\$6,310,800	-\$655,021	\$6,884,400	-\$81,421
North Stonington	\$37,257,260	30.0000	\$1,117,718	\$1,005,864	-\$111,854	\$1,097,289	-\$20,429
Wethersfield	\$156,045,567	30.1900	\$4,711,016	\$4,212,887	-\$498,129	\$4,595,804	-\$115,212
Sterling	\$17,427,820	30.2500	\$527,192	\$470,513	-\$56,679	\$513,279	-\$13,913
Trumbull	\$246,673,403	30.4800	\$7,518,605	\$6,659,639	-\$858,966	\$7,264,945	-\$253,660
Marlborough	\$43,554,249	30.6400	\$1,334,502	\$1,175,869	-\$158,633	\$1,282,746	-\$51,757
North Branford	\$96,423,170	30.7000	\$2,960,191	\$2,603,213	-\$356,978	\$2,839,824	-\$120,367
Clinton	\$80,987,551	30.7900	\$2,493,607	\$2,186,486	-\$307,121	\$2,385,219	-\$108,388
East Hampton	\$76,615,783	30.8100	\$2,360,532	\$2,068,458	-\$292,075	\$2,256,463	-\$104,069
Middlebury	\$53,420,963	30.8200	\$1,646,434	\$1,442,248	-\$204,186	\$1,573,337	-\$73,097
Ansonia	\$85,186,411	30.8600	\$2,628,853	\$2,299,846	-\$329,007	\$2,508,883	-\$119,970
Haddam	\$53,921,990	31.0000	\$1,671,582	\$1,455,775	-\$215,807	\$1,588,093	-\$83,489
Bloomfield	\$117,561,688	31.0300	\$3,647,939	\$3,173,907	-\$474,032	\$3,462,389	-\$185,550
Eastford	\$8,858,207	31.3000	\$277,262	\$239,152	-\$38,110	\$260,889	-\$16,373
Ashford	\$26,114,960	31.6000	\$825,233	\$705,046	-\$120,186	\$769,129	-\$56,103

<b>Appendix M. Motor Vehicle Property Tax at Statewide Median Rate and at Revenue Neutral Rate</b>							
<b>TOWN</b>	<b>NET TOTAL ASSESSED VALUE of MOTOR VEHICLES</b>	<b>MILL RATE</b>	<b>CURRENT TOTAL MOTOR VEHICLE TAX</b>	<b>NET TAX AT MEDIAN (approx. \$27.00 mills)</b>	<b>TAX LOSS /GAIN IF TAXED AT MEDIAN</b>	<b>NET TAX AT REVENUE NEUTRAL RATE (approx. \$29.45 mills)</b>	<b>TAX LOSS/GAIN IF TAXED AT REVENUE NEUTRAL RATE</b>
Wolcott	\$101,757,050	31.6400	\$3,219,593	\$2,747,216	-\$472,377	\$2,996,916	-\$222,677
Colchester	\$95,028,240	31.7500	\$3,017,147	\$2,565,553	-\$451,593	\$2,798,741	-\$218,406
Orange	\$109,206,207	31.9000	\$3,483,678	\$2,948,327	-\$535,351	\$3,216,306	-\$267,372
South Windsor	\$179,105,971	31.9500	\$5,722,436	\$4,835,467	-\$886,969	\$5,274,971	-\$447,465
Seymour	\$95,171,475	32.0400	\$3,049,294	\$2,569,420	-\$479,874	\$2,802,959	-\$246,335
Glastonbury	\$242,784,040	32.1000	\$7,793,368	\$6,554,635	-\$1,238,733	\$7,150,397	-\$642,971
North Haven	\$186,113,370	32.1700	\$5,987,267	\$5,024,652	-\$962,616	\$5,481,351	-\$505,916
Milford	\$315,458,511	32.1800	\$10,151,455	\$8,516,686	-\$1,634,769	\$9,290,782	-\$860,673
Middlefield	\$29,237,554	32.2200	\$942,034	\$789,350	-\$152,684	\$861,095	-\$80,939
Salem	\$25,068,935	32.4000	\$812,233	\$676,806	-\$135,427	\$738,322	-\$73,911
Torrington	\$179,969,220	32.7600	\$5,895,792	\$4,858,773	-\$1,037,019	\$5,300,395	-\$595,396
Scotland	\$8,392,373	32.8000	\$275,270	\$226,576	-\$48,694	\$247,169	-\$28,100
Winchester	\$58,394,695	32.9800	\$1,925,857	\$1,576,528	-\$349,329	\$1,719,822	-\$206,035
Chaplin	\$11,323,955	33.0000	\$373,691	\$305,722	-\$67,969	\$333,509	-\$40,181
Prospect	\$61,277,490	33.1500	\$2,031,349	\$1,654,357	-\$376,991	\$1,804,725	-\$226,624
Ledyard	\$96,374,800	33.1700	\$3,196,752	\$2,601,908	-\$594,845	\$2,838,399	-\$358,353
Hebron	\$59,155,479	33.2400	\$1,966,328	\$1,597,068	-\$369,260	\$1,742,228	-\$224,100
Bristol	\$318,065,880	33.3300	\$10,601,136	\$8,587,079	-\$2,014,057	\$9,367,573	-\$1,233,562
Granby	\$72,316,384	33.4100	\$2,416,090	\$1,952,383	-\$463,707	\$2,129,839	-\$286,252
Beacon Falls	\$35,407,140	33.2500	\$1,177,287	\$955,915	-\$221,373	\$1,042,800	-\$134,488
Ellington	\$89,743,225	33.6000	\$3,015,372	\$2,422,870	-\$592,503	\$2,643,088	-\$372,284
New London	\$94,093,921	33.7700	\$3,177,552	\$2,540,329	-\$637,223	\$2,771,224	-\$406,328
Andover	\$19,752,871	34.5000	\$681,474	\$533,284	-\$148,190	\$581,755	-\$99,719
Plainville	\$116,524,300	34.5000	\$4,020,088	\$3,145,900	-\$874,189	\$3,431,836	-\$588,252
Enfield	\$220,719,710	35.2000	\$7,769,334	\$5,958,947	-\$1,810,387	\$6,500,566	-\$1,268,768
Simsbury	\$163,818,732	35.2000	\$5,766,419	\$4,422,745	-\$1,343,674	\$4,824,736	-\$941,683
Stamford	\$797,435,068	35.6200	\$28,404,637	\$21,528,992	-\$6,875,645	\$23,485,800	-\$4,918,837
Vernon	\$145,019,287	35.7900	\$5,190,240	\$3,915,202	-\$1,275,039	\$4,271,061	-\$919,179
Stafford	\$73,896,087	36.3700	\$2,687,601	\$1,995,032	-\$692,569	\$2,176,364	-\$511,237
Newington	\$188,730,900	36.4300	\$6,875,467	\$5,095,319	-\$1,780,148	\$5,558,441	-\$1,317,025
Naugatuck	\$143,763,127	37.1000	\$5,333,612	\$3,881,288	-\$1,452,324	\$4,234,065	-\$1,099,547
Portland	\$58,281,180	37.2400	\$2,170,391	\$1,573,464	-\$596,928	\$1,716,478	-\$453,913
Colebrook	\$7,006,881	37.6000	\$263,459	\$189,170	-\$74,288	\$206,364	-\$57,094
Derby	\$55,878,026	37.7000	\$2,106,602	\$1,508,584	-\$598,018	\$1,645,702	-\$460,900
East Haven	\$140,167,080	37.7500	\$5,291,307	\$3,784,203	-\$1,507,104	\$4,128,155	-\$1,163,152
Durham	\$45,985,160	38.0000	\$1,747,436	\$1,241,498	-\$505,938	\$1,354,340	-\$393,096
Manchester	\$293,277,565	38.0700	\$11,165,077	\$7,917,849	-\$3,247,228	\$8,637,516	-\$2,527,561
Thomaston	\$49,135,680	38.6600	\$1,899,585	\$1,326,555	-\$573,030	\$1,447,128	-\$452,457
Bridgeport	\$347,632,402	40.3200	\$14,016,538	\$9,385,310	-\$4,631,228	\$10,238,357	-\$3,778,181
Meriden	\$249,982,410	40.3400	\$10,084,290	\$6,748,975	-\$3,335,315	\$7,362,401	-\$2,721,889
Plymouth	\$70,459,155	40.7000	\$2,867,688	\$1,902,242	-\$965,445	\$2,075,140	-\$792,547
West Haven	\$214,412,530	41.0900	\$8,810,211	\$5,788,667	-\$3,021,544	\$6,314,808	-\$2,495,402
EastHartford	\$230,644,195	41.3400	\$9,534,831	\$6,226,886	-\$3,307,945	\$6,792,858	-\$2,741,973

<b>Appendix M. Motor Vehicle Property Tax at Statewide Median Rate and at Revenue Neutral Rate</b>							
<b>TOWN</b>	<b>NET TOTAL ASSESSED VALUE of MOTOR VEHICLES</b>	<b>MILL RATE</b>	<b>CURRENT TOTAL MOTOR VEHICLE TAX</b>	<b>NET TAX AT MEDIAN (approx. \$27.00 mills)</b>	<b>TAX LOSS /GAIN IF TAXED AT MEDIAN</b>	<b>NET TAX AT REVENUE NEUTRAL RATE (approx. \$29.45 mills)</b>	<b>TAX LOSS/GAIN IF TAXED AT REVENUE NEUTRAL RATE</b>
New Haven	\$279,390,551	42.5300	\$11,882,480	\$7,542,930	-\$4,339,550	\$8,228,520	-\$3,653,960
Hamden	\$279,161,577	43.2400	\$12,070,947	\$7,536,748	-\$4,534,198	\$8,221,776	-\$3,849,170
West Hartford	\$353,361,790	44.0700	\$15,572,654	\$9,539,991	-\$6,032,663	\$10,407,097	-\$5,165,557
New Britain	\$227,006,024	45.8900	\$10,417,306	\$6,128,663	-\$4,288,643	\$6,685,708	-\$3,731,598
Waterbury	\$320,405,328	53.9668	\$17,291,250	\$8,650,239	-\$8,641,011	\$9,436,474	-\$7,854,776
Hartford	\$248,509,040	60.8200	\$15,114,320	\$6,709,197	-\$8,405,122	\$7,319,008	-\$7,795,312
	<b>\$20,077,993,409</b>		<b>\$591,330,567</b>	<b>\$542,061,650</b>		<b>\$591,329,351</b>	
Note: Does not include special taxing districts Source: OPM and LPR&IC calculations							

## Appendix N: Taxation of Services

<b>Business Services</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>NJ</b>	<b>NY</b>	<b>RI</b>	<b>VT</b>
Sales of advertising time or space:								
Billboards	E	E	E		6	E	E	E
Radio & television, national advertising	E	E	E		E	E	E	E
Radio & television, local advertising	E	E	E		E	E	E	E
Newspaper	E	E	E		E	E	E	E
Magazine	E	E	E		E	E	E	E
Advertising agency fees (not ad placement)	6	5	E		E	E	E	E
Armored car services	6	E	E		E	4.25	E	E
Bail bond fees	E	E	E		E	E	E	E
Check & debt collection	E	E	E		E	E	E	E
Commercial art and graphic design.	6	5	E		6	E	7	6
Commercial linen supply	E	E	E		E	E	E	E
Credit information, credit bureaus	6	E	E		E	E	E	E
Employment agencies	6	E	E		E	E	E	E
Interior design and decorating	E	E	E		E	4.25	E	E
Maintenance and janitorial services	6	E	E		6	4.25	E	E
Lobbying and consulting	6	E	E		E	E	E	E
Marketing	E	E	E		E	E	E	E
Packing and crating	E	E	E		E	E	E	E
Exterminating (includes termite services)	6	E	E		6	4.25	E	E
Photocopying services	6	5	5		6	4.25	7	6
Photo finishing	6	5	5		6	4.25	7	6
Printing	6	5	5		6	4.25	7	6
Private investigation (detective) services	6	E	E		E	4.25	E	E
Process server fees	E	E	E		E	E	E	E
Public relations, management consulting	6	E	E		E	E	E	E
Secretarial and court reporting services	6	E	E		E	E	E	E
Security services	6	E	E		E	4.25	E	E
Sign construction and installation	6	5	5		E	4.25	7	6
Telemarketing services on contract	E	E	E		E	E	E	E
Telephone answering service	6	E	E		6	4.25	7	E
Temporary help agencies	6	E	E		E	E	E	E
Test laboratories (excluding medical)	E	E	E		E	E	E	E
Tire recapping and repairing	6	E	E		6	4.25	E	E
Window cleaning	6	E	E		6	4.25	E	E
<b>Total</b>	<b>20</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>10</b>	<b>13</b>	<b>6</b>	<b>5</b>



<b>Computer Services</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>NJ</b>	<b>NY</b>	<b>RI</b>	<b>VT</b>
Software - package or canned program	6	5	5		6	4.25	7	6
Software - modifications to canned program	6	E	E		E	E	7	6
Software - custom programs - material	1	E	E		E	E	7	6
Software - custom programs - professional serv.	1	E	E		E	E	E	E
Internet Service Providers-Dialup	E	E	E	7	E	E	E	E
Internet Service Providers-DSL or other broadband	E	E	E	7	E	E	E	E
Information services	1	E	E		E	4.25	E	E
Data processing services	1	E	E		E	E	E	E
Mainframe computer access and processing serv.	1	E	E		E	E	7	E
<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>2</b>

<b>Personal Services</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>NJ</b>	<b>NY</b>	<b>RI</b>	<b>VT</b>
Barber shops and beauty parlors	E	E	E		E	E <sup>4</sup>	E	E
Carpet and upholstery cleaning	6	E	E		E	4.25	E	E
Dating services	6	E	E		E	E	E	E
Debt counseling	6	E	E		E	E	E	E
Diaper service	E	E	E		E	E	E	E
Income from funeral services	E <sup>1</sup>	E	E		E	E	E	E
Fishing and hunting guide services	E	E	E		E	E	E	E
Garment services (altering & repairing)	6	E	E		E	E	E	E
Gift and package wrapping service	E	E	E		E	E	E	E
Health clubs, tanning parlors, reducing salons	6	E	E		E	E <sup>4</sup>	E	6
Laundry and dry cleaning services, coin-op	E	E	E		E	E	E	E
Laundry and dry cleaning services, non-coin op	E	E	E		E	E	E	E
Massage services	6 <sup>2</sup>	E	E		E	E <sup>4</sup>	E	E
900 Number services	6	5	5	7	6	9.25	7	E
Personal instruction (dance, golf, tennis, etc.)	E	E	E		E	E	E	E
Shoe repair	E	E	E		E	E	E	E
Swimming pool cleaning & maintenance	6	E	E		6	4.25	E	E
Tax return preparation	1 <sup>3</sup>	E	E		E	E	E	E
Tuxedo rental	6	E	E		E	4.25	E	6
Water softening and conditioning	E	E	E		E	E	E	E
<b>Total</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>2</b>

1) Taxable after \$2,500.

2) Services by a licensed massage therapist are tax exempt.

3) If done electronically it is subject to a 1% sales tax for the data processing.

4) Subject to NYC local tax.

<b>Utility Service - Industrial Use</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>NJ</b>	<b>NY</b>	<b>RI</b>	<b>VT</b>
Intrastate telephone & telegraph	<b>6</b>	5	5	7 <sup>8</sup>	6	4.25	7	E
Interstate telephone & telegraph	<b>6</b>	E	5	7 <sup>8</sup>	6	E	7	E
Cellular telephone services	<b>6</b>	5	5	7 <sup>9</sup>	6	4.25	7	E
Electricity	<b>6</b> <sup>1</sup>	5 <sup>3</sup>	5 <sup>6</sup>		6	E <sup>10</sup>	7 <sup>13</sup>	6 <sup>14</sup>
Water	<b>E</b> <sup>1</sup>	5 <sup>4</sup>	E		E	E	7 <sup>13</sup>	E
Natural gas	<b>6</b> <sup>1</sup>	5 <sup>3</sup>	5 <sup>6</sup>		6	E <sup>10</sup>	7 <sup>13</sup>	6 <sup>14</sup>
Other fuel (including heating oil)	<b>6</b>	5 <sup>3</sup>	5 <sup>6</sup>		E	E <sup>10</sup>	7 <sup>13</sup>	6 <sup>14</sup>
Sewer and refuse, industrial	<b>6</b> <sup>2</sup>	E	E		E	E	E	E
<b>- Residential Use</b>								
Intrastate telephone & telegraph	<b>6</b>	5	5 <sup>7</sup>	7 <sup>8</sup>	6	4.25	7	6
Interstate telephone & telegraph	<b>6</b>	E	5	7 <sup>8</sup>	6	E	7	6
Cellular telephone services	<b>6</b>	5	5	7 <sup>9</sup>	6	4.25	7	6
Electricity	<b>E</b>	5 <sup>5</sup>	E		6	E <sup>11</sup>	E	E
Water	<b>E</b>	E	E		E	E <sup>12</sup>	E	E
Natural gas	<b>E</b>	E	E		6	E <sup>11</sup>	E	E
Other fuel (including heating oil)	<b>E</b>	E	E		E	E <sup>11</sup>	E	E
Sewer and refuse, residential	<b>E</b>	E	E		E	E	E	E
<b>Total</b>	<b>10</b>	9	9	6	10	4	10	6

1) Exempt for agriculture, fabrication and manufacturing when not less than 75% consumed for production, fabrication or manufacturing. Otherwise, electricity is taxable if over \$150 per month.

2) Sewer assessments not taxable.

3) 5% of sale price of fuel and electricity used at a manufacturing facility is taxable. Remaining 95% is exempt.

4) Exempt if ingredient or component part of, or consumed or destroyed or loses its identity directly and primarily in production of, tangible personal property.

5) First 750 KWH per month of residential service is exempt.

6) Uses for industrial production of tangible personal property or heating of industrial plants exempt, if 75% or more of the fuel is used for manufacturing. Exemption certificate required.

7) An exemption for residential telecommunications services billed on a recurring basis or message unit charges is allowed, up to \$30 a month.

8) No sales tax; taxed under communications services tax. Inter- and intrastate calls taxed. The present rate is 7%.

9) Cellular telephones are taxed under communications tax.

10) Taxable if not used directly and exclusively in production.

11) Subject to some local taxes.

12) Taxable if not delivered through pipes or mains

13) Direct use or consumption in manufacturing exempt.

14) Agricultural and manufacturing use exempt.

## Appendix O: Minnesota Property Tax Association Comparison Study

The Minnesota Taxpayers Association (MTA) in cooperation with the National Taxpayers Conference prepared a study that compared the relative property tax burden for four types of property – residential, commercial, industrial and apartments – for the largest urban area and a typical rural city in each state and Washington DC.<sup>7</sup> (Four other cities were added to the analysis, for a total of 55 cities, because the largest cities in certain states were not considered typical.)

**Urban area.** Bridgeport is the representative city for Connecticut because it is the state's largest city. The study found the property tax burden in Connecticut ranked in the top 15 for all classes of property. Connecticut's property tax burden for commercial property was the same as residential but industrial property was estimated to be lower than all other classes of property. The tables below illustrate how Connecticut ranks among other states as measured by the estimated property tax burdens for three classes of property.

<b>Table O-1. Urban Residential Property Tax on \$300,000 Valued Property – 2004</b>				
<b>Rank</b>	<b>State</b>	<b>City</b>	<b>Tax</b>	<b>Effective Tax Rate</b>
1	Michigan	Detroit	\$9,605	3.202%
<b>2</b>	<b>Connecticut</b>	<b>Bridgeport</b>	<b>\$8,188</b>	<b>2.729%</b>
3	Wisconsin	Milwaukee	\$7,510	2.503%
4	Texas	Houston	\$6,942	2.314%
5	Florida	Miami-Dade	\$6,791	2.264%
	<i>Average</i>		<i>\$4,443</i>	<i>1.481%</i>
55	Hawaii	Honolulu	\$965	0.322%
54	Colorado	Denver	\$1,532	0.511%
53	Massachusetts	Boston	\$1,661	0.554%
52	Wyoming	Cheyenne	\$1,995	0.665%
51	Alabama	Birmingham	\$2,024	0.675%
Source: Minnesota Taxpayers Assoc. 2005				

*Residential* - Connecticut's 2004 property tax of \$8,188 on a \$300,000 home was nearly 85% above the U.S. average, as shown in Table O-1. Connecticut's effective tax rate of 2.73% ranked second highest in the country, and ranked first among the New England States.<sup>8</sup> The residential property tax in Boston, Massachusetts was ranked third lowest. Connecticut was similarly ranked for residential property valued at \$70,000 and \$150,000.

*Commercial* – Table O-2 shows Connecticut's property tax on commercial property valued at \$1.2 million (including fixtures or personal property) ranked 13<sup>th</sup> highest among the states and the District of Columbia, with an estimated \$32,752 in property taxes resulting in an effective property tax rate of 2.73%. Connecticut was

<sup>7</sup> Minnesota Taxpayers Association and National Taxpayers Conference. "50-State Property Tax Comparison Study: Payable Year 2004." St. Paul, Minnesota, January 2005.

<sup>8</sup> The effective tax rate is the total tax divided by the total value of property.

33.3% higher than the U.S. average and was third in New England, after Rhode Island and Massachusetts.

<b>Table O-2. Urban Commercial Property Tax on \$1.2 Million Valued Property – 2004</b>				
<b>Rank</b>	<b>State</b>	<b>City</b>	<b>Tax</b>	<b>Effective Tax Rate</b>
1	Michigan	Detroit	\$48,247	4.021%
2	New York	New York City	\$47,029	3.919%
3	Iowa	Des Moines	\$42,546	3.546%
4	Rhode Island	Providence	\$42,118	3.510%
5	Illinois	Chicago	\$38,911	3.243%
<b>13</b>	<b>Connecticut</b>	<b>Bridgeport</b>	<b>\$32,752</b>	<b>2.729%</b>
	<i>Average</i>		\$24,562	2.047%
55	Wyoming	Cheyenne	\$798	0.665%
54	Hawaii	Honolulu	\$10,630	0.886%
53	Delaware	Wilmington	\$10,970	0.914%
52	Kentucky	Lexington-Fayette	\$11,258	0.938%
51	Washington	Seattle	\$11,810	0.984%
Note: Includes values of \$1,000,000 Land and Building, \$200,000 Fixtures Source: Minnesota Taxpayers Assoc. 2005				

*Industrial* – As shown on Table O-3, Connecticut's property tax on industrial property (includes machinery, equipment and fixtures) valued at a total of \$2,500,000 ranked 9th highest in the nation, as \$51,857 in net property taxes resulted in an effective property tax rate of 2.07% - lower than residential and commercial property. Connecticut was 36.9% higher than the U.S. average and second highest in New England, after Rhode Island. Boston, Massachusetts was 30<sup>th</sup> and Manchester, New Hampshire was 51<sup>st</sup> out of the 55 cities surveyed.

It is important to note exemptions are included in the tax calculations but credits generally are not. Thus, in the case of industrial property in Connecticut, the value of inventory is not taxed as it is exempt, while the credit for machinery and equipment is not included. The inclusion of this credit could make Connecticut appear more competitive.

<b>Table O-3. Urban Industrial Property Tax on \$2.5 Million Valued Property –2004</b>				
<b>Rank</b>	<b>State</b>	<b>City</b>	<b>Tax</b>	<b>Effective Tax Rate</b>
1	South Carolina	Columbia	\$89,085	3.563%
2	Michigan	Detroit	\$78,410	3.136%
3	Texas	Houston	\$74,065	2.963%
4	Kansas	Wichita	\$73,151	2.926%
5	Arizona	Phoenix	\$63,199	2.528%
<b>9</b>	<b>Connecticut</b>	<b>Bridgeport</b>	<b>\$51,857</b>	<b>2.074%</b>
	<i>Average</i>		\$32,722	1.527%
55	Hawaii	Honolulu	\$10,630	0.425%
54	Delaware	Wilmington	\$10,970	0.439%
53	Wyoming	Cheyenne	\$15,925	0.612%
52	Kentucky	Lexington-Fayette	\$16,133	0.645%
51	New Hampshire	Manchester	\$17,186	0.687%
Note: Includes values of \$1,000,000 Land and Building, \$750,000 Machinery and Equipment, \$600,000 Inventories, \$150,000 Fixtures Source: Minnesota Taxpayers Assoc. 2005				

**Rural area.** The MTA selected Windham as the “typical” rural city for Connecticut. Table O-4 compares that city to other similar cities in the nation. In this comparison, Connecticut fares somewhat better across property types than the city of Bridgeport does to its national counterparts.

The residential and industrial property tax burdens are ranked 17<sup>th</sup> among 50 municipalities, and the property tax burden is only about 9 percent above the national average for both those classifications. The commercial property tax burden is in the middle of the rankings and about 5 percent *below* the national average.

<b>Table O-4. “Rural” Property Tax Comparison: Residential, Commercial, Industrial – 2004</b>					
<b>Rank</b>	<b>Property Type</b>	<b>Tax in CT</b>	<b>Effective Tax Rate</b>	<b>U.S. Average</b>	<b>Effective Tax Rate</b>
17	Residential (\$300,000 value)	\$4,409	1.470%	\$4,055	1.352%
24	Commercial (\$1.2 million value)	\$18,810	1.567%	\$19,722	1.643%
17	Industrial (\$2.5 million value)	\$33,211	1.328%	\$30,365	1.215%
Note: Commercial property includes values of \$1,000,000 Land and Building, \$200,000 Fixtures and Industrial property includes values of \$1,000,000 Land and Building, \$750,000 Machinery and Equipment, \$600,000 Inventories, \$150,000 Fixtures Source: Minnesota Taxpayers Assoc. 2005					

**Appendix P: Corporate Credit Usage by Industry**

<b>NAICS Group</b>	<b>Number of Returns</b>	<b>% of Total Returns</b>	<b>Number of Credit Claimants</b>	<b>% of Total Claimants</b>	<b>Claimants as % of Total Returns</b>	<b>Total Value of Credit Claimed</b>	<b>% of Total</b>
Manufacturing	4,534	10.24%	1,098	19.17%	24%	\$28,131,005	30.22%
Utilities	127	0.29%	16	0.28%	13%	\$14,334,780	15.40%
Retail Trade	4,108	9.28%	602	10.51%	15%	\$12,233,165	13.14%
Management of Companies and Enterprises	856	1.93%	107	1.87%	13%	\$11,877,164	12.76%
Information	1,148	2.59%	114	1.99%	10%	\$8,925,100	9.59%
Professional, Scientific and Tech Services	6,249	14.11%	896	15.65%	14%	\$4,965,462	5.33%
Finance and Insurance	3,056	6.90%	286	4.99%	9%	\$3,227,238	3.47%
Wholesale Trade	3,108	7.02%	443	7.74%	14%	\$2,492,426	2.68%
Administrative and Support Services	1,511	3.41%	130	2.27%	9%	\$1,569,453	1.69%
Not Yet Assigned	1,461	3.30%	29	0.51%	2%	\$1,189,434	1.28%
Transporting and Warehousing	997	2.25%	88	1.54%	9%	\$1,060,867	1.14%
Education, Health Care and Social Assistance	2,412	5.45%	757	13.22%	31%	\$975,094	1.05%
Construction	4,469	10.09%	588	10.27%	13%	\$484,045	0.52%
Other Services	3,755	8.48%	236	4.12%	6%	\$450,173	0.48%
Real Estate and Rental and Leasing	4,417	9.98%	140	2.44%	3%	\$314,404	0.34%
Arts, Entertainment, and Recreation	571	1.29%	46	0.80%	8%	\$303,936	0.33%
Agriculture, Forestry, Fishing and Hunting	165	0.37%	31	0.54%	19%	\$289,542	0.31%
Accommodation and Food Services	1,261	2.85%	111	1.94%	9%	\$211,071	0.23%
Mining	72	0.16%	9	0.16%	13%	\$61,806	0.07%
<b>Total</b>	<b>44,277</b>	<b>100.00%</b>	<b>5,727</b>	<b>100.00%</b>	<b>13%</b>	<b>\$93,096,165</b>	<b>100.00%</b>

Source: DRS and LPR&IC calculations

## Appendix Q

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#### GENERAL BACKGROUND – PRINCIPLES, MODELS, MEASURES

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